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The Washington Monthly

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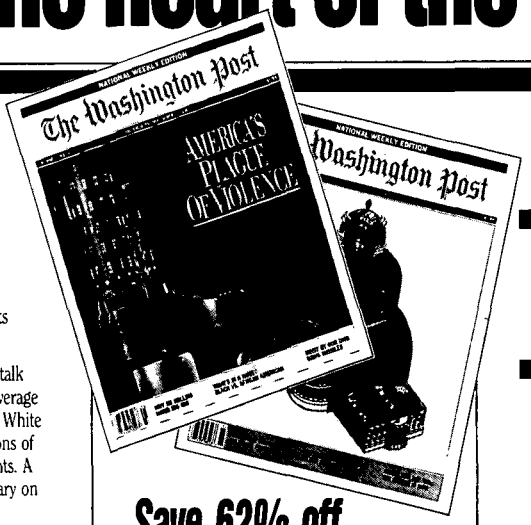

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The Washington Monthly

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LETTERS

Northern disclosure

James Bennet is spot-on in much of his analysis of press conferences ["The Flack Pack," November]. But I'm afraid he falls the mark when he suggests that the Canadian political system makes the prime minister more accountable than your president. While it's true that Mulroney and his cabinet face a question period every day the House of Commons sits, it's not clear that the result is much more illuminating than Washington's whirl of press conferences.

Bennet is correct that opposition members of Parliament (MPs) aren't "praying to be given news for the sake of a 15-inch story." But question period isn't, as Bennet claims, usually used to "find out whether the government is working." Instead, the opposition is generally praying its performance will be part of a 15-second clip on that night's television news.

The resulting ritual is remarkably like a White House press conference. It has an aura of contention while largely being scripted. Indeed, as they enter the House of Commons each day, the prime minister and cabinet ministers all carry thick binders with prepackaged replies to expected questions.

And what about the press corps? Well, I'm afraid it—myself included—often gets taken in by it all. Most of us tune our televisions in daily at 2 p.m. for the start of question period (it's much more comfortable and easier to hear than sitting in the House itself), then rush over about an hour later to rehash the same questions with the MPs as they leave the House.

Like our counterparts in Washington, we could find much better ways to spend our time.

IAN AUSTEN
Ottawa, Ontario
Mr. Austen is a parliamentary correspondent for the Southam News.

Air war

Sometimes, a really positive book review will persuade me to go out and buy the book. But Gregg Easterbrook's scathing commentary on Paul Ehrlich's *Healing the Planet* ["Propheteers," November] was the first time a negative review caused me to run out and pick up a copy. Easterbrook's article had so many logical lapses that the book had to be good—and timely, since his diatribe against those who would attempt to raise the nation's environmental consciousness was published the same week *Newsweek* revealed that the ozone layer has become 5 percent thinner over the Northern Hemisphere and that skin cancer rates in the United States have doubled since 1980.

Easterbrook says, "Smog continues to be a problem but has fallen relative to population growth." Great. The air is worse than ever, only now there are more people breathing it. If it made any sense to measure pollution per capita, we should all get to work having kids. By Easterbrook's logic, if we managed to generate an infinite number of children, pollution would dwindle to nothing.

He also contends, "Probably the Earth can support more souls than it does today." That's fine. Can it support many more bodies is the important question.

Easterbrook says, "And it may well be that exaggerated warnings such as those sounded by *The Population Bomb* helped inspire the environmental reforms that staved off the effects Ehrlich feared," as if that were a good reason not to pay attention to his new book. I can't think of a better reason to buy it.

I would think that, with a name as suggestive of hope and nature as Easterbrook, this guy might care about such things. It's not cynical to make gloomy predictions in an effort to attract attention to dire problems. And it is downright stupid to think that things will take care of themselves—that, hell, humans have been around this long, no reason to think things won't just keep getting better and grander.

MICHAEL I. DURR
Washington, D.C.

I do not ordinarily respond to book reviews, no matter how silly they are. I can't, however, resist pointing out that Gregg Easterbrook totally misrepresented me by selectively quoting my view of oxygen depletion in *The Population Bomb*. Concern about oxygen depletion had been raised by Professor Lamont Cole. I suspected this was not a serious problem and downgraded it in the book. It turned out that Cole, a very distinguished scientist, had made an honest mathematical error in his calculations. Recent data, by the way, do indicate a tiny drop in atmospheric oxygen concentration.

In addition to learning to quote honestly, Easterbrook might also educate himself slightly in basic science before he does any more writing in this area.

PAUL R. EHRLICH
Stanford, California

The author replies:

I did not misrepresent Paul Ehrlich's writings about oxygen depletion: I quoted verbatim from *The Population Bomb*. If anything, I let Ehrlich off the hook too easily, since, among other things, *Bomb* cautions that oxygen may run short because "[w]e are, of course, removing many terrestrial areas from oxygen production by paving them." That statement is true but long on doomsday hype, since the portion of the world's surface that is paved is far below 1 percent, and most atmospheric oxygen comes from the sea, not land plants.

It's interesting that in response to a review containing no personal slight against Ehrlich—merely taking issue with his opinions—Ehrlich goes directly to an ad hominem attack on the reviewer. One point the review made was that Ehrlich has attempted to avoid reasoned discourse on his work by being quick to claim that any critic must be a monster or a scientific ignoramus. Ehrlich uses the same technique here while contending that he should not be held to account for an embarrassing passage because he, a pro-

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fessional scientist, could not have been expected to distinguish between a flawed scientific study and a sound one. Hmmm.

Lean streets

In your report on highway construction ["Why American Roads All Go to Pot," Betsy Dance, November], you describe the foolish rules that states must obey to obtain federal highway funds, yet you fail to see the obvious solution. States can avoid federal red tape altogether simply by refusing federal funding. To conservatives, the idea that local public works should be financed with local money is commonsensical. Only you liberals, who believe that all roads lead to Washington, remain blind to the obvious.

R.P. PIENKOWSKI
Eagan, Minnesota

Class consciousness

Charles Peters's suggestion [Tilting at Windmills, November] that there "is a need for a large-scale national service program that will bring the brightest young people into teaching, not as a career, which most of them wouldn't want, but for two to four years" is painfully reflective of American attitudes towards teachers and their schools. The common perception is that the brightest people don't become teachers and that those who do are dim graduates of second-rate teachers' colleges. As such, they are held by most Americans in low esteem.

Although teachers' paychecks have recently improved, working conditions have not. They're still treated as second-class citizens by near-dictatorial administrators, by school boards that are used by too many as a first step for their political ambitions, and by arrogant parents. I miss teaching—I've retired—but I don't miss the administrators, the school boards, or the parents.

Charles Peters and other Americans ought to take seriously the idea that teaching is a career—not an experience to be equated with the Peace Corps. If teachers do leave teaching early in their careers, chances are they have made an interesting discovery: that the community is not supportive, that it doesn't treat them with the same respect it treats other professionals. What teaching really needs is not more money, but understanding from the nation—parents, administrators, school boards, governments, and Charles Peters—that children in our schools deserve trained professionals, not well-meaning volunteers, as teachers.

WILLIAM A. GOLD
Northampton, Massachusetts

Unite and conquer

My compliments on Katherine Boo's article ["How Congress Won the War in the Gulf," October]. Only a former war planner who served on the Army General Staff and the Joint Staff can truly appreciate the historical significance of the Goldwater-Nichols Act. My personal experience during the Dominican Republic crisis, Vietnam, and the disgraceful exhibition in Grenada confirmed that the National Military Command System was really screwed up.

I sat in the "Tank" on numerous occasions listening to service chiefs engage in endless, rancorous bickering while distinguished soldiers such as Maxwell Taylor and Buzz Wheeler sat helplessly watching. Due to Goldwater-Nichols and Bush's commendable lack of interference, Schwarzkopf was able to apply the principles of war in the Gulf as no other U.S. commander has been permitted to do since World War II. In fact, the act simplified procedures to the point where any competent four-star commander could have performed the mission.

Again, I commend you on your excellent presentation and your appreciation of the far-reaching import of the act.

COLONEL J.W. TOOLEY
Bonita, California

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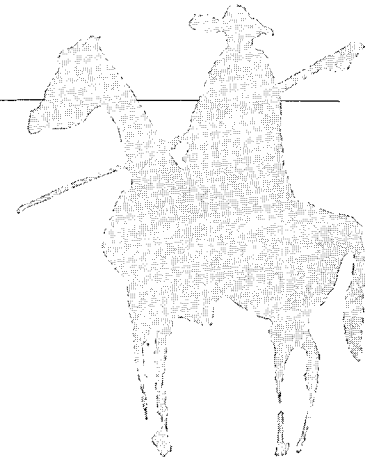
TILTING AT WINDMILLS



Why is the Yugoslav army suppressing Croatian separatists so ruthlessly? Belief in a united Yugoslavia is certainly one motive, as is protection of the Serb minority in Croatia. But another is suggested by Blaine Harden, a thoughtful foreign correspondent for *The Washington Post*:

"Taxes from the two breakaway republics [Croatia and Slovenia], by far the richest in the Yugoslav federation, were instrumental in allowing the army to provide its primarily Serbian officers with a privileged life of free housing, vacation villas, and big pensions." . . .

How do we get the economy moving without busting the budget? Matthew Miller presents some ideas for job-producing investments in roads, schools, and other long-term national needs beginning on page 10. The most important of the others include:

1) To encourage consumer spending and to right the wrongs of Reaganism, reduce the combined impact of social security and income taxes on families earning less than $50,000 a year.

2) To encourage productive, long-term investment, give a capital gains tax break—but only to new investment that is held for at least a year and preferably longer (see page 49 of our July/August 1991 issue).

3) To make up for the lost revenue, increase estate, income, and social security taxes on the rich and cut the defense budget even more than is currently contemplated.

I was delighted to see the major news magazines speak up on these matters in their December 9 issues with a boldness that is, alas, rare in their approach to public policy.

Among the recommendations by *Time*'s Don Goodgame and Nancy Traver were "cut welfare spending for the wealthy" and "phase out special-interest tax breaks for the wealthy." Their story displayed sophisticated awareness that capital gains tax cuts and investment tax credits should apply only to new investment. After all, if you want to stimulate new economic activity, it does little good to reward old investment.

Newsweek's David Hackworth also urges that we consolidate the services into one united military—"one paymaster would pay them, one quartermaster would fit them out"—reduce the "overrated and overpaid" Reserves and National Guard, then bring home the ground combat forces stationed in Europe. If 300,000 of the troops now stationed abroad spent their paychecks here instead of over there, economist Lacy Hunt estimates that $7 billion would be injected into our economy. Hackworth also suggests reducing the bloated officer corps. As we pointed out last year, the services have the same number of officers at the colonel level that they had at the end of World War II, when the military was six times larger. . . .

Did you know that 126 members of the House lease cars at taxpayer expense? Gus Savage's Lincoln costs us $978 a month; Joe Gaydos's leased car, $991. For Gus Yatron's Oldsmobile, we are paying $1,046. That's enough to buy the car in two years. The trouble is, Yatron didn't buy it. He—we—just go on making lease payments.

Why are we paying to lease cars for congressmen in the first place? Why can't they buy their own cars like the rest of us? And even if you think we should foot the bill, why don't we save more than half the cost, as Richard Powelson, who broke the story in the *Knoxville News-Sentinel*, recommends, by having the cars leased through the General Services Administration? . . .

Recent stories about countries with unpaid diplomatic parking tickets contained some interesting tidbits. Three of the top twelve offenders were Israel and Egypt, the two largest recipients of our foreign aid, and Saudi Arabia, one of the two major beneficiaries of our war in the Gulf. The other top offenders that fascinated me are Somalia, number 2, and Gabon, number 10—countries so small

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that we have to wonder how they could collect so many unpaid tickets. Gabon had 1,578 and Somalia 6,503. Are they renting out their diplomatic license plates? . . .

Most of my friends range from condescending to scornful in their dismissal of the Democratic presidential candidates, yet Kerrey, Clinton, and Tsongas are very good men. Tsongas I've already praised. Clinton has been willing to spell out a program—something that most candidates avoid like the plague. And in Arkansas, he showed great courage in taking on the NEA in his successful effort to improve the public schools. Kerrey has displayed more dedication to solving the problem of health care than have his fellow candidates, voluntarily sitting in on more meetings of the Pepper commission than most of its members attended. He is also the most engaging personally. And by his valor in Vietnam, he has won the right to stand up to the military in a way that most people who lack military credentials fear to do.

Cuomo's ability to stir my soul with his oratory is unfortunately negated by his defensiveness, which is especially ill-suited to a job that would make the sanest and most reasonable man paranoid. Harkin is too conventionally populist for me, but I admired his leadership of the anti-Gulf war movement at a time when most of his fellow senators were desperate to avoid taking a stand. And his jokes are a lot better than Kerrey's. Take this recent example:

"You know, with the collapse of the Soviet Union and the Communist Party over there, all those Communists are trying to think of what to call themselves because they can't call themselves Communists anymore. Well, what *do* you call members of a political party whose policies benefitted only a narrow few, who spent insane amounts of money on their military, and who bankrupted their nation? I have a modest suggestion: They might try calling themselves Republicans." . . .

The Washington Post's Brooke Masters may have found the stupidest government subsidy of them all. It is the $100-per-passenger subsidy the Department of Transportation is paying to finance flights to the Homestead, one of the nation's poshest resorts, in Hot Springs, Virginia. . . .

One reason for the decline of New York's appeal to the young that I realize I omitted last month is the spread of sexual freedom throughout the country. It used to be that if you wanted lots of steam in your romance, your hometown seemed a good deal less promising than New York City. Today, my guess is that the young feel their chances of getting laid are just about as good in Peoria as anywhere else, including New York—not to mention that their chances of getting AIDS are much smaller in Peoria.

Another factor called to my attention by my colleague, Christopher Georges, who as a certifiable twentysomething speaks with considerably more authority than I can claim, is that for people reared on cable television, New York's music, dance, and drama seem to offer little that is not available on the tube back home. . . .

As further evidence for the *Monthly*'s contention that Stanford is far from the only university to cheat the government, I offer this report from *The New York Times*: "A federal audit has found that Yale University improperly included more than $1 million of expenses in its calculation of indirect costs for federally financed research." Among the illegal costs were funds spent for alcoholic beverages and "employee personal expenses." . . .

And speaking of shady practices by those who are supposed to offer us moral leadership, consider this announcement from the editor-in-chief of the *Journal of Business Ethics*:

"It has come to my attention that about one fourth of the article by Gerald Baxter and Charles Rarick, 'The Manager as Kierkegaard's "Knight of Faith": Linking Ethical Thought and Action,' was reproduced nearly verbatim, without quotation marks, adequate attribution, or permission from Linda Klebe Trevino." . . .

One place in which unethical behavior comes as absolutely no surprise is Wall Street. In fact, as one revelation of chicanery follows another, the game has become "Can You Top This?" A frequent winner of the contest is Drexel Burnham Lambert. A recently uncovered example is that just before the firm sought bankruptcy protection in 1990, it awarded $262 million in bonuses to principal staff members like Leon Black, its head of mergers and acquisitions. This, a court could decide, is a fraud on creditors. . . .

One more example of corporate integrity and I'll stop. It's a nearly full-page ad in *The Wall Street Journal* by the American Council of Life Insurance that proclaims:

"For over 100 years the life insurance industry has been

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closely regulated. Every state has a department of insurance headed by an elected official or appointed commissioner and staffed by sharp-eyed regulators.

"We don't mind," the ad continues, "having those eagle-eyed regulators peering over our shoulder and into our books."

The words in the second sentence from "every" through "commissioner" are true. All the rest is outrageous falsehood. If you've ever worked in state government as I have, you know that most insurance companies oppose tough state regulation. And through dedicated effort over many years they have managed to prevent *any* federal regulation. . . .

My fear since the beginning of the women's movement has been that instead of challenging men to imitate the best in women, women would imitate the worst in men. As our article on Anita Hill last month demonstrated, this fear has not proved to be as groundless as I had hoped. Indeed, the evidence is daily more troubling. A recent example is the report in *The New York Times* that the number of girls age 17 or younger arrested for felonies in New York City has increased 48 percent over the last four years. . . .

It's time to resurrect our Only in California Department. A Ventura lawyer got a woman who had applied to work in his office to sign a contract saying that she had been chosen "primarily on the basis of sexual appeal" and consenting "to all words, acts, sexual innuendo, sexual acts, touching, lewd behavior, etc." When he was arrested, the lawyer pleaded not guilty by reason of insanity. "It was temporary insanity, of course. . . . We're not saying I'm crazy now," he told the *Los Angeles Times*, as he proceeded to contend that he should still be permitted to practice law. . . .

Another story from California reports that the state now gives legal rights to chickens. Governor Pete Wilson recently signed AB 1000, entitled the Humane Poultry Slaughter Bill. I'm confident that this statute will become a high priority for cops in California, where, as rapes and murders went unsolved, the San Jose police found time to raid a classical music concert held in a private home because they contended the pianist was "conducting a business without a license." . . .

Of course, California is not the only place where the allocation of resources by law enforcement officials seems a trifle curious. *The Seattle Times* reported on October 8 that "last Friday, 12 undercover officers spent two and a half hours buying table dances at the Deja Vu Showgirls strip club, eventually citing 30 dancers at the club for alleged 'dirty dancing.'" . . .

To understand how Washington really works, one of the first lessons you must learn is how local law firms operate across party lines. Why, for example, would Lloyd Cutler, a former senior aide to Jimmy Carter, be listened to in the Bush White House? Because C. Boyden Gray was once an associate in Cutler's firm. Major local firms always make sure both parties are represented among the bright young associates they hire, precisely because a considerable number of these associates will opt for a tour in government when their party is in power—after all, the knowledge they gain in government is what makes them rich when they come back to the firm. But they can also make the firm rich while they're in office. They don't have to do anything patently dishonorable. All the potential client has to know is that those once-and-future employees are sure to return the firm's phone calls. This is the guaranteed access that clients seek when they hire a Washington law firm. . . .

Have you ever suspected that your doctor wasn't really eager to hear the details of your problem? And that he might also be motivated by some combination of arrogance and excessive preoccupation with the income to be derived from seeing more patients in less time? Well, Dr. Richard Frankel of the University of Rochester Medical School says you're right.

In a study of 74 medical interviews between internists and their patients, he found that 51 of the patients were interrupted by their doctors within the first 18 seconds of their explanation of what was bothering them. . . .

It now appears that I have a strong personal motive for continuing the *Monthly*'s longtime crusade against cigarette companies. You may have read recent stories revealing that Kent's "Micronite" filter contained asbestos and that Lorillard Inc., its maker, was told in 1954 that Kent smokers were inhaling asbestos. Despite knowing this and also knowing of the link between asbestos and cancer, the company continued to use the Micronite filter for two more years. I smoked Kents from 1954 through 1956. . . .

Veteran readers will recall Carol Crawford, who failed to spot the growing disorder at HUD when she was overseeing that agency for the Office of

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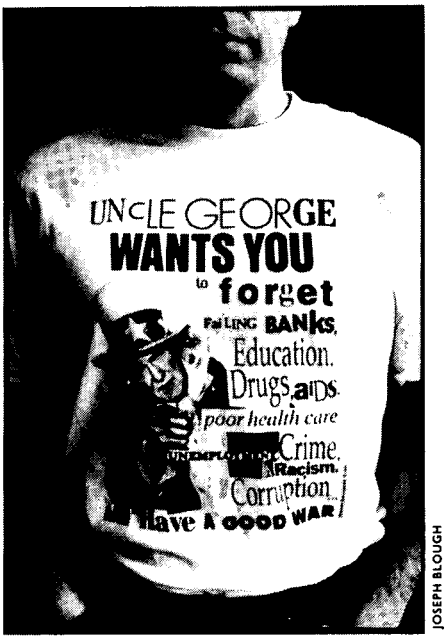

JOSEPH BLOUGH

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Management and Budget (OMB). This triumph naturally led the Bush administration to reward her with a top job at the Department of Justice. She failed again at Justice, resigning in 1990 because "the job is just not right for me." But once again her performance was rewarded. In January 1991, Bush nominated her to be a member of the International Trade Commission (ITC). Her potential competence in this job was suggested during a committee hearing on her nomination held in July, after she had had six months to bone up on the issues. Asked if she would bring an ideological bias to her decisions, she replied, in the great tradition of Clarence Thomas on *Roe* v. *Wade*, that she couldn't be biased because she had no views on the issues.

On the basis of this sterling record, she was confirmed by the Senate in November. There was no debate on her record at OMB and Justice. Why? Here's another lesson in how Washington really works: Lloyd Bentsen had made a deal with Bob Packwood and the Bush administration by which the chairmanship of the ITC would be given to Janet Nuzum, a protege of Bentsen's fellow Democrat, Dan Rostenkowski, in return for the Democrats' "going along" with Crawford. . . .

I don't know whether this item belongs in the Only in California Department or if it's just another in our long series on the sins of lawyers. Anyway, I have learned from a McClatchy News Service dispatch from Sacramento that the California taxpayers have just been stuck with a $7 million bill from lawyers suing over conditions at one state penal facility. Among the expenses charged to the state were rates of $235 to $305 per hour for lawyers' commuting time between San Francisco and Sacramento and $145 per hour for an attorney to perform as no more than a messenger service. . . .

Speaking of my brethren at the bar—yes, dear reader, I was once one of them—guess where the trial lawyers' section of the New York State Bar Association is holding its annual spring meeting? Albany? Utica? Buffalo? Of course not. The site is Dublin, Ireland. You can laugh, as I do, but we both should remember that the tax deductibility of these junkets means that we're stuck with a large share of the bill. . . .

A year ago, our cover called George Bush's adventure in the Persian Gulf a "fatal distraction." "If there are nations in the world he should focus attention on," we said, "they are not Kuwait and Iraq but Japan and Germany, not only because of the wrongs they are doing this country but, even more significantly, because of what we can learn about our own weaknesses."

We believe that the state of the American economy today shows that we were right. Our only regret about our opposition to the war is that we overemphasized the danger of a ground war. That fear is based on America's failures in the jungles of Vietnam and Soviet mistakes in the mountains of Afghanistan. Air supremacy could not have brought victory in either place. But the Kuwait-Iraq border has no jungles or mountains. It is flat desert with no protection against attack from the air. Air supremacy was decisive, making victory on the ground a piece of cake, not the bloodbath for our side that we at the *Monthly* feared.

However, the war and the aftermath of revolt by the Kurds and Shiites was a terrible bloodbath for both the army and the people of Iraq. I think these deaths could have been avoided and our ends attained if we had simply stuck with the embargo as the *Monthly* urged.

In my many arguments with friends who favored the war, I discovered that their point of last resort was that we had to fight to keep Saddam Hussein from getting the bomb—that an embargo could not be relied upon to accomplish that end. Well, we fought the war and devastated Iraq. So what are we relying on now to keep Saddam from getting the bomb? An embargo. . . .

At the beginning of this column, I noted what I believed the government should do to revive the economy. But there's something else that is vital for the rest of us to do, particularly those of us who have influence over the attitudes and values of the young.

One problem with our economy is, quite simply, that most young people are going into the wrong kind of work. As Nicholas Lemann notes in this issue, more than half the graduates of our best colleges are going into law and medicine, where they are not needed. We already have enough doctors—the problem is in the distribution of their services—and more than enough lawyers. What we need is a change of values that will lead the brightest of our youth to choose to become entrepreneurs, building the new plants and creating the better products that will enable us to compete successfully with Japan and employ all the people who are now out of work. These entrepreneurs—and the scientists, engineers, and investors who help them—should be the most glamorous figures in our society. . . .

—*Charles Peters*

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WHO'S WHO

The vultures are circling over the remains of **Clark Clifford**'s law firm. Yet while Clifford & Warnke may be disintegrating, its clients Phillips Petroleum and Eastman Kodak are the kind other firms covet. Thus, Clifford & Warnke lawyers who are deemed able to take such clients with them not only won't have to join any breadlines but are being wooed by other firms. Among the leading suitors is Howrey & Simon, whose managing partner is said to be pursuing about 10 C&W lawyers. . . .

Like **Julius Caesar**, **John Sununu** found many knives slashing at him as his White House career drew to a close. But his consistent number-one enemy since November 1988 has been **Robert Teeter**, who that month was frozen out of contention for a major White House post by Sununu. . . .

A close second in the steadfastness of his opposition to Sununu was **Ed Rollins**, who recently remarked, "Sununu is living proof that you shouldn't give children their I.Q. test results." . . .

The editors of *Time* should peruse Who's Who more closely. In May 1989, they proclaimed Sununu **George Bush**'s "most inspired choice for any senior post." The previous month's Who's Who had said Sununu was one of "Bush's three major mistakes." The chief of staff "has yet to gain the notoriety of the other two," we noted, "but it will come." (The others, if you're curious, were **John Tower** and **Dan Quayle**.) . . .

As the recession drags on, you may wonder why Bush continues to heed the advice of **Michael Boskin**, the chairman of his Council of Economic Advisers. Two explanations are offered by White House insiders. One is that he explains economic issues in terms the president can understand. The other is that Bush likes to play tennis with him. . . .

But Boskin wasn't responsible for the credit card interest rate fiasco. The advisers who recommended that Bush speak out on the subject were **Craig Fuller**, **Ken Duberstein**, and **Fred Malek**. Fuller, by the way, was another major Sununu enemy. . . .

Prolabor **Mary Cracraft** is leaving the National Labor Relations Board because Bush refused to resubmit her nomination for another term after it was blocked by Senator **Malcolm Wallop**'s objection this summer. . . .

Another nomination that is blocked, for the time being, is that of **Jerry R. Curry** to head the Federal Aviation Administration. This time the senator responsible is **Howard Metzenbaum**, who has been persuaded by **Ralph Nader** associates **Joan Claybrook** and **Clarence Ditlow** that Curry was soft on car safety while serving as administrator of the National Highway Traffic Safety Administration. . . .

Sometimes, as in the case of the International Trade Commission's **Carol Crawford** (see "Tilting at Windmills"), we can trace the dealmaking behind a given politician's rise or fall. Other times we know enough to realize that the fix is in but can't make out, in the vast amount of fog generated by veteran Washington operators, just who is fixing whom. Such is the case with the nomination of **Trevor A. Potter** to the Federal Elections Commission, which recently sailed through the Senate without debate. Potter was the deputy general counsel of Bush's 1988 campaign committee, a credential that doesn't arouse universal approbation from the Democratic members of the Senate. Yet the facilitator of Potter's smooth sail was Democrat **Wendell Ford**, chairman of the Senate Rules Committee, a position that considerably enhances one's ability to facilitate. Did Ford make a deal with the White House? Or did one of his staff members? Or did the nominee to the commission who breezed through along with Potter, **Scott E. Thomas**, have a relationship with Ford or his staff? All this is what makes Washington an irresistibly tantalizing show. . . .

Allan B. Hubbard, the chief administrator of the President's Council on Competitiveness, which has a major role in determining which antipollution regulations are acceptable to the administration, just happens to be the half owner of a chemical company (which Who's Who is *sure* never dumps nasty chemicals into any river). According to *The Washington Post*'s **Michael Weisskopf**, Hubbard got $786,233 in dividends from the company in 1990 alone. . . .

The occasion for one more toot of our own horn, along with a slight blush of embarrassment, came in December when the White House named Malek, Teeter, and **Robert Mosbacher** to run the 1992 Bush campaign—just as we had predicted three months before. The embarrassment was inspired by the fact that **Roger Ailes** wasn't in the group as we had expected. The reason it's only slight is because Ailes was offered the job of campaign media director but turned it down for business and family reasons. . . .

Private Eye's send-up of the **Anita Hill-Clarence Thomas** hearings includes a character named Senator **Joseph Kinnock**. . . .

—*Susan Threadgill*

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Building America to Last

A smarter investment strategy can end the recession and *balance the budget*

by Matthew Miller

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very household's share of the debt tab has piralled in the last decade from $11,000 to 39,000. This year, interest on the debt edged ut defense as the federal government's iggest expense.

Debt is not always a bad thing, of course; 's what it's used for that determines whether 's been smart or stupid to borrow. Yet the fedral budget process ignores, by design, the one istinction that businesses, states, and families ll use to make sure they're thinking soundly bout debt: the distinction between investment nd consumption.

Investment is what builds wealth, either for ıdividuals, businesses, or nations. Compaies invest when they build a new plant to ike production; so do cities when they upıade their airports to attract new business to own. This type of investment creates both hort-term jobs and long-term economic benfits—a combination that can help jumpstart sluggish economy. Investing in transportaion, for example, pays off not only in moother, safer roads somewhere down the ine, but also in the short run to the tune of ome 41,000 new jobs for every $1 billion pent.

Consumption expenditures, by contrast, are ıst what they sound like. Dollars spent now n, say, plane fares or pension payments or paer clips are gone forever. Lumping investnent and consumption expenses together, as he federal budget does, is more than just an ccounting no-no. It's as if Uncle Sam saw no lifference between borrowing to go out to dinıer and borrowing to buy a house.

Say you're a Department of Health and Hunan Services official, and your Medicaid vatchdogs need new office space. You scout he market and come down to two options. 'ou can rent the space you need on a 20-year ease at $1 million a year. Or you can buy a ood building outright for $5 million. You don't need an MBA to know that buying the building is a better deal. But because it involves a bigger cash outlay this year, your boss tells you it's a no-go. He'd rather do the lease —which looks on his budget like a smaller expense—and use the $4 million "extra" for other agency needs.

Welcome to the world of "cash budgeting," where taxpayers fund such cockeyed choices because, in the government's "unified" budget, all outlays are created equal. That basic bookkeeping disincentive plays out in thousands of different, expensive ways, even in places where a small investment has a clear economic payoff. Consider: The energy efficiency of government buildings has remained flat over the decades (the Environmental Protection Agency and Department of Energy are among the least efficient), while the efficiency of private sector buildings has grown two- or threefold thanks to new technology. Getting the government up to par could start paying off this winter. Similarly, a relatively minor investment in an IRS computer system that could systematically pick out tax cheats would begin saving federal money immediately. So would a beefed-up investment in the government's Women, Infants, and Children Program for improving the nutrition of expectant mothers and young children, as money spent now on properly feeding these babies saves millions in health care costs later. But these days there's no budgetary compulsion to make those investments. All incentives point in the opposite direction.

In a period of budget restraint, this bias against capital investment adds an extra accounting hurdle to the huge political obstacles already facing long-term investments. With visionary bookkeeping like ours, it's no surprise that the share of national income devoted to investment has plummeted by one third since 1973. Or that, compared to investment

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juggernauts like Germany and Japan, we're spendthrifts. "Without sufficient investment in new factories, highways, research, education, and all of the other factors that determine the productivity of our labor force," Controller General Charles Bowsher told a Senate subcommittee last spring, "the United States will not be competitive in the future world economy." With federal spending now accounting for a full quarter of GNP, getting Uncle Sam serious about investment may begin lifting us out of the recession the right way. And in the long run it may also mean the difference between our kids' living through an era of national renewal or becoming a lost generation.

Divide and prosper

At the root of our wholesale capital neglect is an elementary political problem. While most Americans would surely agree that our physical and human infrastructure deserves far-sighted, sensible investment, those investments don't have anything like the organized, letter-writing constituencies that support pensions, Medicare, farm subsidies, or dozens of other consumption programs. In fact, many of the beneficiaries of investments haven't even been born. So when push comes to shove, it's easy to guess which outlays our leaders choose to defer. Politicians don't get punished at the polls for rusty bridges—and when the bridges finally collapse, it'll probably be on someone else's watch.

States have avoided this trap through a sensible bookkeeping strategy—capital budgeting. Typically, the budget is divided into two parts: an operating and a capital component. By law, most states are required to balance the revenues and expenses of their operating component each year. They can borrow, however, to fund capital expenses. Because the balanced operating budget includes the annual interest payment owed on the outstanding debt, there's a built-in discipline that requires planning for repayment even as debt is incurred.

Raison Debt

Speaking of high-stakes accounting, capital budgeting isn't the only bright idea we need. Along with a mammoth investment shortfall, today's twentysomethings are inheriting some crushing but little-discussed liabilities, courtesy of the government's generous retirement programs. Unreformed, these "entitlements" amount to an astounding $14 trillion in today's dollars—with only a few pennies currently set aside.

Here's where the costliest liabilities lie:

Social security. As it turns out, the Greenspan Commission's 1983 "fix" was just a band-aid. The "surpluses" you hear about today—which in any event are being spent to cover the rest of the government—will be totally inadequate for tomorrow's inexorable demographics. In the fifties, nearly 10 workers paid payroll taxes for every retiree drawing a check; today the ratio is three to one and narrowing.

While you won't hear a peep from them until the next crisis looms, our politicians know what this math means. Only massive new tax increases on today's young folks will prevent the system from going bankrupt when the postwar baby boomers hit the rocking chairs early in the next century. Can this be fair?

Contrary to popular myth, today's retirees get back from the system between two and five times what they put in. This windfall—which is only partially taxed and fully indexed against inflation—is funded by regressive and ever-increasing payroll taxes on workers who've seen their own real wages stagnate for two decades and who have no assurance the system will be there for them.

How will today's twentysomethings react when our politically powerful parents try to tax the pants off us in a few years to keep the checks rolling? Did somebody say "generational war"?

Federal pensions. The $60 billion the federal government spent last year on retirement programs for its employees was more than it spent on higher education, consumer safety, AIDS research and treatment, Aid to Families with Dependent Children, food stamps, and low-income housing combined.

What's more, these pensions are by any standard the most generous in the nation. Consider: Two out of five civil servants retire before age 55, and at a percentage of preretirement pay that dwarfs that of programs in the private sector. Disability criteria are so lax that more than one quarter of federal pensioners collect extra for being "disabled."

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And if the states don't watch themselves, Wall Street will. If the budget gets too far out of line, a state's bond rating drops, and funding for roads, buildings, and other bond-supported items dries up. While this duet of internal and external controls has proven effective, it is far from perfect. In Minnesota, for example, where a 60 percent legislative majority must approve bond issues, capital projects are routinely traded for votes. But putting these shenanigans aside, capital budgeting clearly helps governments to invest and borrow smart. Maybe that's why even Japan divides its overall General Account into similar pieces.

Buried in a recent budget document of the Office of Management and Budget (OMB) is a summary of what the federal budget would look like if it were recast using this capital vs. operating approach. The bottom line? Just a nickel of each federal dollar we spend now goes for investment. And, in the best tradition of third-world debtors, 70 percent of the money we borrow goes to pay interest on the debt we've already piled up.

Consider some of the whopping investment shortfalls we're about to pass on to future generations—along with huge debts that, instead of being spent on ourselves, might have been used to plug the gaps:

➤Infrastructure: The Department of Transportation says 40 percent of interstate roads are in fair or poor condition. The General Accounting Office (GAO) says 5,200 bridges are "critically deficient." And the blue-ribbon National Council on Public Works Improvement, in its report, *Fragile Foundations*, warns, "We are drawing down past investments without making commensurate investments of our own."

That conclusion is not surprising when you consider that the share of federal dollars devoted to infrastructure spending has fallen by half since 1965. Even after the 41 percent boost provided in the recently passed transportation bill, our annual infrastructure investment will amount to approximately 1 percent of GNP, compared to Germany's 3 percent and Japan's 5 percent.

Sound cushy? Well, the median age for *military* retirement is only 41. After 20 to 30 years on the job, the serviceman, who makes no contribution to his pension, retires on 50 to 75 percent of his highest pay. He's also free to collect social security and pursue a second career to achieve the armed forces' famed "triple dip" pension.

If the government had to act like a business and put money in reserve each year against these and other "unfunded liabilities" (Medicare's the other huge one), the budget deficit—officially projected at a record $362 billion in fiscal 1992—would double.

But what's worse is that the "official" annual deficit wildly understates the increase in the national debt during the year. If you think that's wrong, you're right.

Here's the anatomy of the fraud. In the fiscal year that ended September 30, 1991, the "official" deficit was $269 billion. But the increase in the national debt for the year turned out to be $408 billion. How? Most of the difference occurs because our government prefers not to count money it borrows from its own retirement trust funds as "debt," or interest it pays to these trust funds for past borrowings as an expense.

But while the "official" deficit figures don't count such intergovernmental debts, today's young adults will one day have to honor them. Otherwise, the trust funds (like social security) will be holding only worthless IOUs by the time we hit old age.

The bottom line? Since 1985, our published deficits have added up to almost $1.4 trillion; but our debt—for which today's kids are going to be on the hook—has gone up by more than $2 trillion. What Senator Terry Sanford of North Carolina calls a "cover up" amounts to more than $650 billion since 1985. But what's $95 billion a year between friends—or between generations?

Some fiscal hairsplitters make the case that the official number, excluding intergovernmental borrowing, is actually the better measure of Uncle Sam's impact on the private credit markets. Maybe. But isn't it about time we began to measure the impact on the next generation—publicizing the real increase in our debt? Senator Sanford thinks so, and for three years has been peddling a bill that would do that.

Facing the true debt will be a start. As for fixing it—well, don't just sit there. Rally your friends. March on Washington. And, if you're in the media, spotlight the stakes every chance you get. Because clearly our politicians won't. —*M. M.*

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What will it cost our kids to fix the broken roads, bridges, airports, and sewers if we don't? Depending on whose numbers you prefer, an extra $20 to $50 billion a year.

➤Research and Development: An advanced economy wins in international competition by translating scientific breakthroughs into new products and processes. And our R&D investment—about 3 percent of GNP—appears competitive at first glance. But the picture changes when you take out defense-related research, which can't be counted on these days to spin off commercial applications. While we gladly spend a million bucks on a prototype uniform for the Air Force or on tastier dehydrated field rations, the rate of federal spending on *nondefense* R&D has dropped by 50 percent since the mid-sixties.

With visionary bookkeeping like ours, it's no surprise that the share of national income devoted to investment has plummeted by one third since 1973.

The result? While Germany and Japan today devote nearly 3 percent of GNP to commercial R&D, the U.S. spends less than 2 percent. The tab to achieve parity with our leading competitors would be about $50 billion a year.

➤Education: Money may not be the answer to all that ails our education system—but for kids in poor districts, it could be one helluva help. Tennessee began investing in 1985 to lower the student-teacher ratio in some of its poorest school districts. It had to wait a few years for the results, but it was worth the wait: The kids in smaller classes registered significant increases in reading and math scores.

Investing in education matters in the short run, too. For example, if the administration fully funded Head Start—that is, provided the extra $2.2 billion Congress asked for—it would mean 70,000 more teaching jobs in the next 12 months, as well as smarter graduating classes 12 years down the road.

In Princeton, New Jersey, the public schools spend $8,300 per pupil yearly, double what down-and-out Camden can afford. Governor Jim Florio, whose days are numbered in part because he has tried to remedy this sort of inequity, can tell you that rich districts aren't interested in reforms that improve poor schools at the expense of their own. That means that equalizing opportunity will require new funds.

How much? One study suggests that at least .5 percent of GNP—or about $25 billion a year—is needed to bring U.S. spending on grades K through 12 up to the average of the other industrial nations.

To be sure, federal dollars alone can't fill all of these gaps—but neither can the feds shirk their essential leadership role. And in spite of the president's inaugural lament that we have "more will than wallet," there's plenty of money to invest if we're ready to shut down the unfair consumption and phony investment programs we bankroll today.

As the first step in doing that, we'll have to take the states' capital budgeting scheme one step further.

Capital crimes

In 1957, the Ford Motor Company, after a quarter billion-dollar investment, unveiled its newest, state-of-the-art automobile—the Edsel—and promptly lost $350 million when consumers stayed away in droves. Despite the red ink, the Edsel was an "asset" on the books—an asset that nearly sank the entire company.

In all account books, "capital" can be a pretty misleading term. A truly effective capital budgeting plan would do what states and companies still quiver to do: aggressively make distinctions between things that truly contribute to the nation's resources—like lowering class size to help disadvantaged kids learn to read—and those whose value ends on the ledger.

Take our current "capital investment" in the B-2 "stealth" bomber, whose $700-million-a-copy cost is as high-flying as its mission is obscure. After playing bait-and-switch with this mission for years, the Pentagon now tells us that the B-2's real purpose is to find and attack Soviet mobile missiles. Forget for the moment that 1) our difficulty in finding Scud launchers in Iraq suggests that this may not be feasible; 2) the Pentagon admits the technologies don't exist to let the B-2 even try; and 3) much cheaper planes are likely to be as effective. With the collapse of the Soviet Union and with arms-reduction initiatives in the air, the B-2's secret mission—as a bargaining chip—may not be worth a cent.

It's time we owned up to the Edsel on our hands and wrote off the $35 billion we've sunk in the B-2. According to Congressional Budget Office estimates, halting this dubious investment at the 15 planes already authorized (and scrapping the 60 more now planned) would free up $4 billion a year through 1997. That's enough to fully fund bona fide long-term investments like Head Start, whose lack of cash today closes the door on a shameful *73 percent* of eligible kids.

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Meanwhile, on the consumption front, why don't we means-test old-age "entitlements" and invest the savings in our schools? Almost $30 billion in social security, Medicare benefits, and federal pensions go each year to households with incomes of more than $100,000. This money is being redistributed by Uncle Sam from households whose average yearly income is just $30,000. Wouldn't we be better off investing this $30 billion in the education of tomorrow's work force? With this kind of money, we could lower the student-teacher ratio in poor districts and equip them with the textbooks, computers, and safe buildings their well-heeled neighbors take for granted, and we'd still have money left to offer scholarships to college students who'll commit to serving as math and science teachers.

Options like these suggest the possibilities if we get serious about the stakes. With an urgent investment agenda, and capital budgeting as a proven tool for managing it, the inevitable question follows: What keeps us from getting on with the job?

A delicate balance

Like most good ideas in Washington, capital budgeting has been kicked around for years—to no avail. Support for it "doesn't break down by party," says Controller General Bowsher, a long-time capital budgeting advocate. "It breaks down by the background of the individual." Not surprisingly, Republicans tend to bring more business types into office who wonder why government doesn't handle its books more sensibly. But through the seventies and eighties, even supporters of capital budgeting tended to concede that it has two fatal flaws: It will be used as an excuse to justify new spending, and the classification of expenses as "capital investment" will be abused to make this possible. In these deficit nightmares, liberal Democrats will cook up measures like "The Conscientious Objector Investment Act" to give truckloads of cash to able-bodied people who, on principle, just don't feel like working.

This isn't a groundless fear. "Every time it comes up," says budget expert Stan Collander, a former Hill staffer now at Price Waterhouse, "it's always by people who want to spend more." Carol Cox, president of the watchdog Committee for a Responsible Federal Budget, warns, "You can't have a separate class of expenditures that we pretend is costless." New York City learned that the hard way in the mid-seventies, when it went broke after shifting millions of dollars of police salaries and vocational education costs into its capital budget and then borrowed to fund them.

This prospect-of-abuse argument is laughable to anyone who's stepped within 100 miles of today's budget circus. After all, the government now functions under a scheme that for years has declared deficits to be under control when in fact they've skyrocketed.

Sure, there will be classification disputes if capital budgeting is implemented. For example, no state currently treats investments in education and training as "human capital" that will bring long-term returns.

But making distinctions between true and false capital is obviously vital to sensible investment. We can't go into debt to pad bloated board of education bureaucracies. That's not capital; that's waste. But to the extent that we do borrow, why borrow to pay windfall pensions when we could be underwriting a school year as long as Japan's? Why borrow to subsidize profitable megafarms when we could instead provide seed money for a school-to-work apprenticeship program like Germany's?

The trick is to identify real capital—an exercise in definition that most states conduct using strict accounting rules. In New York state, for example, the salary of an architect who designs bridge repairs comes out of the capital budget, while the salaries of people who operate the bridge—the budget manager or toll collectors—come out of the operating side of the budget. At the federal level, similar standards could be enforced by a bipartisan board of accounting wizards, whose assignment would be to stand watch over the definition of "capital." But the bigger point is that this very debate about investment is precisely the kind of dialogue our consumption-crazy country needs. If every annual budget presentation, by virtue of its capital vs. operating layout, forced a discussion of whether the government's plan is meeting our nation's investment needs, we might begin doing right by our kids.

Budget director Richard Darman is making encouraging noises. At his behest, a task force from OMB, GAO, and the budget committees recently began exploring budget process reforms, including the use of capital budgeting. But Democrats, perhaps wanting to snub a Darman initiative, haven't joined the Republicans in detailing their highest-ranking staffers to the team.

Meanwhile, as the task force talks, the government will borrow another $400 billion dollars before the November election, create few of the jobs necessary to end the recession, and invest astonishingly little. The year after, the interest on that borrowing will eat up an additional $30 billion, as our biggest federal program—interest payments—crowds out every investment priority in its way. And a generation of children, unaware of the grim inheritance being prepared for them, will laugh as kids always laugh. And their parents, who have the power to change things, will do . . . what? ❑

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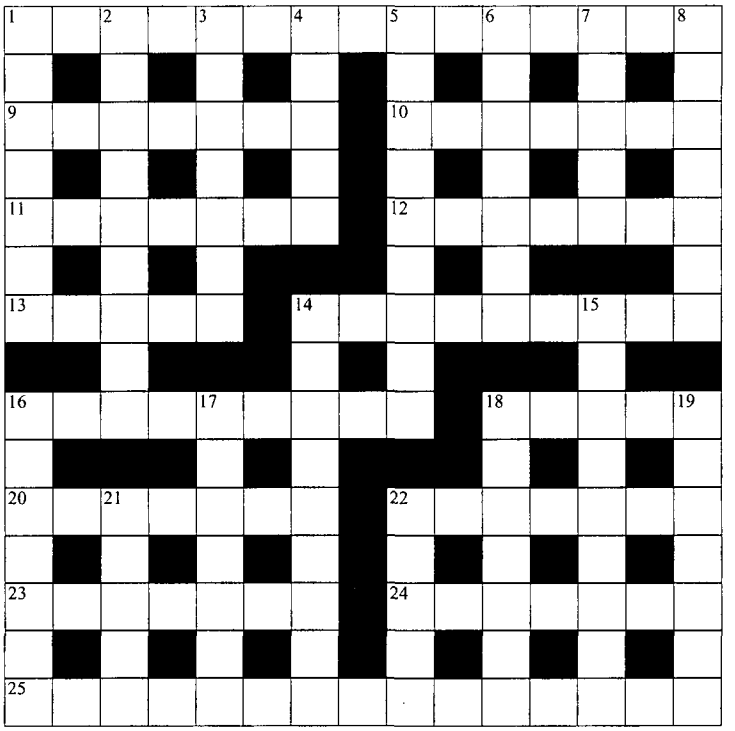
POLITICAL PUZZLE

by John Barclay

The numbers indicate the number of letters and words, e.g. (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g. USA, are treated as one word.



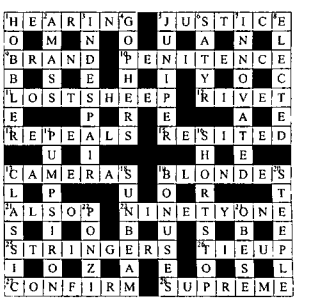
Across

1. Those out of control do after comic trade arrangement. (10, 5)
9. Seafood with limited credit? (7)
10. She often starts stories or songs? (7)
11. Lessor moved after first of month goes to pieces. (7)
12. After print measure, Norse reappraised American writer. (7)
13. Bringing Christmas back around May 1 would be a dud. (5)
14. Leaders gathered around Notre Dame and spoke ill of others. (9)
16. Convention position on crime as means of access? (9)
18. Do a check for timer running backward. (5)
20. This leader shows no charm. (7)
22. Brief one's commander-in-chief erroneously. (7)
23. Turin saint reconstituted unselfishly. (2, 5)
24. Lived where eddies swirled after first rain. (7)
25. Any pirate club run with public relations is in control. (10, 5)

Down

1. Claimed treatment point. (7)
2. North dorm name revised for *homo sapiens*. (6, 3)
3. Bungling American, not a war. (7)
4. Like a man is shortly after being fired. (5)
5. Bathe Nick carelessly out of sight. (2, 3, 4)
6. Put on funny pet nerd. (7)
7. Seder set for instruments. (5)
8. Period Edward familiarly craved. (7)
14. Tight apes dancing for Italian staple. (9)
15. What's left of article in memory jog. (9)
16. Soldier above prime upheaval is less able to walk well. (7)
17. Trouble in expert urbanologist's domain. (7)
18. Wild guns rip telephones. (5, 2)
19. Set up study with extra ends for weekly occurrence. (7)
21. Tennis call put on the other way. (3, 2)
22. About spies taking in church group. (5)

Answers to last month's puzzle:



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Egads! The S&L Scandal Lives!

Why the government's S&L supercops still let the bad guys break the banks

by Christopher Georges

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raud of the eighties, this time the bankers are playing not just with depositors' money, but with billions of dollars from the government's generous bailout.

How are the bankers getting away with it again? To find out, you've got to stash the White House press releases and congressional testimony and track down the folks on the front lines: the OTS examiners.

That these field examiners tend to have the wan countenance of latter-day Bartlebys is no wonder—other government employees tag their work the loneliest job in the world. For weeks on end, they hunker down in back offices to pore over boxes of receipts, loan applications, and thrift managers' personal expense accounts. If their diurnal duties sound a little tedious, their administrative potency is astounding: These are Bartlebys with M-16s, not eyeshades. To make sure the S&L scandal had no sequel, the Bush administration granted OTS accountants and examiners the power to call for FBI investigations and issue fines of a million dollars a day when confronted with cooked books or dissolute spending.

Yet two years later, these S&L supermen are more like a clique of Clark Kents—a phenomenon rooted in a nonpartisan bureaucratic truth: You can change the laws in a matter of days, but to make them *work*, you have to change the attitude of the officials charged with carrying them out. In the case of the Texas thrifts, the Bartlebys' supervisors in Washington and in the field are the very ones who helped create the S&L rescue plan in the first place. Their stake in proving that their idea was a good one may be so great that, in time-honored bureaucratic tradition, they prefer to silence a few concerned examiners in order to preserve their brainchild.

Of course, the three thrifts we investigated may be isolated islands of S&L self-protection—or they may be the tip of the iceberg. With $500 billion on the line, it should be worth it to Washington to figure out which is the case.

Short thrift

It sounds like a story from the eighties: The CEO of a multibillion-dollar Dallas S&L dips into the thrift's petty cash for a few personal perks. There's the $700,000 or so spent on the lavish private hunting lodge in South Texas, where he, along with friends and clients, unwinds by hunting and shooting trucked-in game. There's a plush New York City penthouse condo costing the thrift more than $7,000 a month. There's even a leased private jet.

Sure enough, government examiners spot what appear to be questionable uses of thrift funds and dutifully report the findings to senior officials at the Dallas-based regulatory office. Given an array of options—from issuing a fine to turning the case over to the FBI—they decide to send a letter urging the thrift to be more careful in the future.

Perhaps the letter gets lost in the mail. For when the thrift's books are reexamined a year later, the examiners spot more unlikely expenses: a $13,000 dinner for four; a ritzy suite at Dallas's only five-star hotel where guests are routinely treated to Dom Perignon and beluga; and a parade of petty cash withdrawals at more than $1,000 a pop, many of which go unexplained. Again the examiners cart the evidence back to the office, where this time the punishment is yet another slap on the wrist—a $25,000 fine and a warning to be more careful next time.

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The salad days of the S&Ls? Unfortunately, no. The years are 1990 and 1991, and this is the tale of Texas's largest, richest S&L: First Gibraltar, where thousands of depositors blithely invest their savings.

While the Bush administration, egged on by banking leaders, has cried in recent months that regulators are too tough, examiners in the field tell a very different story. First Gibraltar is receiving billions of dollars in federal relief money, but examiners say that its CEO has siphoned off bank funds for personal use. Yet when a disgruntled regulator tried to blow the whistle, it was the regulator, not the CEO, who ended up losing his job.

Nor is First Gibraltar's nonregulation an isolated case. A look at two other thrifts, Bluebonnet Savings in Dallas and El Paso Savings and Loan, reveals that when regulators have uncovered evidence of wrongdoing, field supervisors have repeatedly made the same remarkable choice. Instead of disciplining or punishing the wayward thrifts, they've disciplined the regulators who sought to bring the abuses to light.

Savings and drones

"All in all," said President Ronald Reagan as he signed the Garn-St Germain Act of 1982, "I think we've hit the jackpot." A jackpot, indeed—but not for the American people. The bill essentially deregulated the S&L industry, unleashing a crew of free-wheeling risk-takers eager to invest billions of dollars of depositors' money—all insured by the government—to build their personal fortunes. And build they did—condos, shopping malls, housing parks, and office complexes—as their S&Ls keeled over and died.

If, in the eighties, there seemed to be an unlimited number of ways to steal from the system, there was also an unlimited number of ways that the government's regulation, carried out by the languid Federal Home Loan Banks, could be circumvented or ignored. The remedy for such regulatory haplessness was the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which dissolved the Federal Home Loan Banks and erected in their place the powerful OTS to supervise the remaining thrifts. Under a tougher set of regs, thrift managers were limited in how and where they could invest depositors' funds. And if S&Ls didn't follow those rules, regulators for the first time had real power to take them on. "To us," OTS director Timothy Ryan explained, "saving the money of the hard-pressed American taxpayer is job one. And we live by that standard every day."

Two years later, OTS's tough cop routine still plays pretty well in Washington. Only problem is, the thrift *examiners*—the guys in Dallas, Dubuque, and Philadelphia charged with sussing out S&L corruption—are still being asked by upper-level OTS officials to live in the soft-policing past: a past of political timidity and regulatory laxness promoted by holdovers from pre-reform days. The hands-off attitude is astonishingly easy to preserve thanks to the nation's rigid banking secrecy laws, which in effect shield all regulatory decisions—and all bureaucratic action or inaction—from public scrutiny.

"A senior regulator likes to have a problem thrift on his beat about as much as an air traffic controller likes to have an airplane crash on his shift," said Steve Pizzo, national correspondent for the *Home Mortgage News* and one of the nation's leading thrift reporters. But air traffic controllers can't hide the crash. OTS officials *can*—at least temporarily.

The high-flying First Gibraltar—a Texas-sized headache for the government since its inception—is perhaps the classic example of the crash-avoidance mindset. The $11 billion institution, one of the 20 largest thrifts in the nation, rose out of the ashes of the S&L cleanup under something called the Southwest Plan, a strategy concocted by the government in 1988.

The plan—whose prime purpose was to create safer, easier-to-regulate S&Ls—lumped 88 troubled Texas thrifts into a handful of gigantic "megathrifts." After pouring in billions of dollars, the federal government sold the new institutions to a few lucky investors.

Purchased by Revlon Chairman Ron Perlman and run by banking magnate Gerald J. Ford, First Gibraltar (the offspring of five defunct thrifts) was one of the biggest of the megas. As part of the purchase, the thrift received $5 billion in federal money and a wealth of other goodies, including guarantees of $600 million in tax benefits and a promise to cover losses from the thrift's bad loans until 1998. So sweet was the deal that Gibraltar's creation ended up costing taxpayers $2.4 billion *more* than if the five thrifts had been closed and their depositors paid off.

With the federal spigot turned on full blast, you'd expect regulators to be watching the books with eagle eyes. But in a strange twist, it was *because* the thrift received so much attention and federal aid that the S&L sleuths dozed off. "People were told not to upset the Southwest babies," said one OTS examiner. "It would look bad for us and for the people who put them together if they came up with problems."

And when problems did arise, OTS was actually willing to lend a hand to keep them quiet. In 1990, for example, after examiners uncovered the first round of squandered funds on private jets and the

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like, OTS supervisors worked out a neat arrangement with First Gibraltar management to bump some of the questionable expenses to the thrift's holding company, a bookkeeping adjustment that only technically removed the expenses from the institution itself. A year later, when First Gibraltar broke the rules again, the $25,000 fine levied against its CEO for violations "regarding the leasing of aircraft and reimbursement expenses" was one of the milder rebukes the OTS could dole out.

OTS employees close to the case insist that criminal charges should have been pressed, but this never happened. Instead, sources say, supervisors sought to scuttle the case. Why were they so concerned about First Gibraltar? Perhaps because a number of senior regulators helped assemble the Southwest Plan panacea in the first place. For bureaucrats that brings up an age-old conflict of interest.

This time the bankers are playing not just with depositors' money, but with billions of dollars from the government's generous bailout.

Back in the forties, the Atomic Energy Commission helped create the atomic energy industry—an industry it was then expected to oversee. But the commission was so vested in the success of the field that it routinely looked the other way whenever its child corporations misbehaved. When it comes to the megathrifts, the OTS is much the same. Like anxious parents, several key OTS field personnel have a profound interest in assuring the success—or at least the apparent success—of their offspring.

One examiner recalled a memorable interoffice squabble between Dave Bradley, a Midwest region official who oversees the approximately 80 examiners charged with monitoring the area's megathrifts, and his boss, Midwest Regional Director Billy Wood. Wood, who was getting pressure from the Justice Department because the number of criminal referrals coming from the region had dried up, told the staff to pick up the pace. But Bradley openly objected, arguing that writing referrals was taking too much staff time. "No one could understand this," the examiner said, "because it only takes at most a few hours to actually write the referral up."

Nevertheless, shortly after the meeting, the office procedure regarding criminal referrals changed. Instead of simply writing up referrals and passing them along to superiors after discovering suggestions of criminal activity, examiners were now required to get approval before even *writing* them, sources said. "After this," one examiner said, "almost nothing ever made it through the approval process."

While the writing rule meant that problems didn't always get the attention they deserved when examiners discovered them, other OTS procedures have ensured that problems aren't discovered in the first place. Once inside the doors of a thrift, examiners say, they're expected to check only if the proper guidelines are in place—not whether those guidelines are actually being followed. For example, an examiner might be asked to verify whether a thrift has a policy forbidding loans of more than $100,000 to a single borrower, but he won't have the opportunity to check whether the thrift has actually *adhered* to that rule.

How can this be? In part because these days, many of the OTS officials implementing the new rules—folks like Dave Bradley—are holdovers from the old days, when the Federal Home Loan Banks watched the thrift industry destroy itself. And—also just like the old days—that vestigial laxness is exacerbated when the object of examiners' questions is a prominent ally of politicians.

Slumming it

Alfred D. Hughes is no Neil Bush, but he may be the classiest slumlord in Texas. A well-known Austin businessman, he presided in the eighties over one of the largest federally assisted housing empires in Texas, building or renovating nearly 50 low-income housing projects throughout the state. Known for his astute political connections, he was named chairman of the Texas Board of Corrections in the mid-eighties (and even had a Gatesville, Texas, prison named after him). But by 1988, Hughes had decided to move up from the projects. That year, he purchased El Paso Savings from the federal government by pledging nearly $100 million of his personal property to the S&L's equity capital—a not uncommon practice in such deals. By mid-1990, El Paso Savings was one of the largest thrifts in West Texas.

But in 1989, after OTS had been formed and thrifts were under fire, examiners decided to take a closer look at Hughes's books. What they found, people close to the case say, was evidence of possible fraud worth tens of millions of dollars.

Examiners allege that while Hughes said he was putting up $100 million worth of properties to acquire the thrift, his assets were really worth less than half that amount—a mistake that would eventually

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come out of taxpayers' pockets. For example, Hughes contributed a 4,400-acre tract of undeveloped Austin property to the thrift in exchange for $48 million. But, according to an Austin businessman who sold Hughes the land, Hughes had purchased it only a few days earlier for $29.5 million.

Hughes also contributed 12 Houston apartment complexes appraised at $35 million. But just five months after Hughes bought the S&L, a Housing and Urban Development inspection revealed that the apartments, troubled by rat infestation, sewage backups, leaking roofs, and no hot water, were essentially uninhabitable. The real value of the apartments, people close to the case say, was less than a third of what Hughes had told the government.

But there were questions about more than Hughes's land deals. Shortly after he purchased the thrift, he used it to make illegal political contributions to key Texas officials. In a wonderful display of political activism, the El Paso thrift's employees and affiliates gave more than $12,750 in contributions to state and local pols. Unfortunately, their largess was being reimbursed by the thrift in an apparent attempt to circumvent campaign finance limits. Yet after being made aware of Hughes's alleged misdeeds in both 1989 and 1990, Midwest region OTS supervisors refused to act, examiners say. In 1990, when two examiners persisted in arguing for a criminal probe of Hughes, they were not only turned away; this time they were suspended from the OTS on charges related to insubordination.

Only after the suspensions ended and the examiners threatened legal action against OTS did supervisors agree to an FBI investigation, which is now in progress. But the delay ultimately cost taxpayers big. Instead of moving swiftly and decisively against what it knew was an institution in trouble, OTS allowed the losses to mount. Finally in 1991, the thrift failed—leaving the government to pick up the more than $150 million tab.

Megamaniacs

"We feel we are taking enough action," said a spokesman for the OTS. "You don't have people committing fraud on a major scale like we had in the past." To back up this contention, OTS officials point to an array of statistical evidence. For example, the Midwest region office issued enforcement actions against 65 thrifts in 1991, more than in any previous year.

But a close look at exactly *whom* the OTS is going after is revealing. While the ballyhooed larger thrifts get a certain respectful discretion, examiners have been relentless in tracking down the little guys. In September 1991, in one of its more highly publicized cases, OTS leveled 17 enforcement actions and more than $100,000 in fines against Davy Crockett Federal Savings Bank in Crockett, Texas. Crockett's $50 million in assets is a widow's mite compared to El Paso's $500 million or First Gibraltar's $11 billion.

Although the OTS doesn't keep figures on enforcement action by thrift size, an examination of all the agency's public enforcement actions in the past year shows that only a handful were registered against the nearly 100 thrifts with more than $1 billion in assets. "Go take a close look at the smaller ones—those with less than $300 million—well, they get closed real fast," said an OTS insider. "But the big ones with high-powered attorneys—no one wants to mess with them."

Supervisors' fear of messing with the big thrifts might keep regulators quiet even when the people running the thrift have criminal records and a history of well-cooked books—as in the case of Bluebonnet Savings Bank.

Bluebonnet, created as part of the Southwest Plan in 1988, was purchased by Arizona insurance executive James M. Fail with $1.8 billion in federal assistance. Nearly two years later, Senate investigators claimed that when bidding for the thrift, Fail suppressed the fact that he had pled guilty on behalf of one of his insurance companies to a felony charge in Alabama in 1976—a bit of information that would have disqualified him from acquiring the thrift.

It wasn't the only thing Fail was apparently hiding. According to people familiar with an April 1990 OTS examination of Bluebonnet, examiners discovered that one of the nation's most prominent insurance executives, Robert T. Shaw, who had lent Fail $35 million to help him acquire the thrift in 1988, "had a greater stake in the institution than had been previously realized"—that is, than Fail had previously reported to the OTS. The problem, however, was that one of Shaw's companies had been convicted of securities fraud in North Carolina in 1982—a fact that would have also disqualified him from owning the thrift.

While examiners say the evidence was compelling enough to warrant a further look—if for no other reason than to clarify Shaw's role in Bluebonnet—supervisors closed down the investigation. "We were told by people in Dallas to act like we never saw this," said an OTS employee who worked on the case. "They said they didn't want us to 'stir the pot.'"

After another examination of Bluebonnet uncovered other potential problems, examiners say, Midwest region supervisors finally agreed to allow further investigation of the thrift. But the inquiry never took place. Supervisors refused to allow the examiner to travel to Arkansas where key documents were located.

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In the end, it wasn't the powerful OTS that exposed Bluebonnet's problems; it was Congress, which independently called for an investigation. But even then, when Senate investigators requested documents from the OTS relating to Bluebonnet, the agency ran for cover. After employees prepared a huge packet of material for shipment to Washington, OTS supervisors removed a significant portion of documents. The examiners were forced to circumvent their field bosses in order to get the damaging material to Capitol Hill.

Since the congressional hearings, an embarrassed OTS has tightened the screws on Bluebonnet. But the question remains: Should it have taken the full force of the U.S. Senate to reveal the problems? After all, that's why the OTS was created in the first place. But as with First Gibraltar and El Paso Savings, OTS higher-ups appeared more concerned with protecting themselves than with rectifying their problems.

"Nobody wants to stir up trouble," said one frustrated examiner. "You buck the system, you pay the price."

Whistlestoppers

So what's the OTS doing with its time and money if not concentrating on tracking down the big thrift cheats? It's doggedly tracking down the whistleblowers—a time-worn bureaucratic tactic to stifle internal criticism. It's easier for the agency to discredit a few agents than to answer to Congress, the press, and the public about an issue that has already proven to be a national embarrassment. In the OTS's lopsided cosmos, one big-mouthed Bartleby is as dangerous as a dozen James Fails.

In the case of First Gibraltar, Jeff Potter, an OTS analyst, provided a book agent with parts of the thrift's examination report showing CEO Gerald Ford's lavish spending habits. But his attempt to expose the thrift's problems backfired when Gary Anderberg, an OTS internal investigator, got wind of Potter's plans.

While Potter's attempt to leak confidential documents was a violation of law, the vigor with which he was pursued stood in striking contrast to Gerald Ford's mild rebuke. Because bank secrecy laws prohibit public release of any examination information, Potter was immediately fired. And when he refused to turn over his book outline and documents to Anderberg and his team, they continued to pursue him, freezing Potter's last paycheck, his vacation pay, and his retirement account. With no job, approaching bankruptcy, and facing possible prosecution for attempting to leak the documents, Potter turned over the goods and was permitted to go about his business—that is, provided he kept mum about the First Gibraltar fiasco. Potter refused to comment for this story.

Even more vitriolic was the revenge the agency exacted on Wayne Frena, a former OTS analyst whose sole offense was to testify before Congress in the 1990 Bluebonnet hearings. As with Potter, Frena refused to comment about the incident, but sources describe the following series of events:

Frena, who from 1988 to 1990 had firsthand knowledge of the inner workings of Bluebonnet Savings, was asked by Senate investigators to provide information about the thrift for the July 1990 inquiry. His remarks and documents helped reveal the array of troubles that plagued the creation of Bluebonnet—revelations that acutely embarrassed both the Bush administration and the OTS. But soon after, Frena, who left the OTS to work for the Federal Deposit Insurance Corporation (FDIC), found himself being pursued by the OTS, as Anderberg and his team had dug up an eight-year-old cocaine possession conviction against the former analyst. They presented this information to the FDIC, noting that Frena did not disclose the fact on his job application there. Although court records showed that the conviction had been expunged years earlier, the FDIC cooperated with the OTS and dismissed Frena. The former analyst was now out of work, with a mortgage, a family, and $20,000 in lawyers' bills. Still, Anderberg and his team continued the hunt, requesting from the U.S. attorney in Dallas a criminal indictment against Frena for failing to disclose the drug charge information. This past summer, the U.S. attorney, after examining the evidence, dropped the case. Frena is still unemployed.

In the case of El Paso Savings, two examiners—Alfred Beltran-Romero and Rick Benavidez—also found themselves on the wrong side of the OTS. According to agency sources and court documents filed by the pair in a suit against the OTS, they were ordered in January 1990 by superiors in Dallas to stop investigating the S&L even though they had uncovered evidence of fraud. After insisting on an investigation, the pair were labeled "problem examiners" and punished with poor work assignments, a short suspension from the agency, and a warning that they

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would be fired if they refused to cover up financial improprieties at the thrift. And finally, in September 1990, charged by the OTS with leaking confidential examination documents to a journalist, they became targets of an internal investigation. Beltran-Romero and Benavidez, who deny the charge, continue to work for the OTS as their case works its way through the courts.

Aside from a few annoying legal entanglements, the agency's strong-arming appears to have worked pretty well. The stories of the examiners' travails have traveled through the ranks of the OTS. "Nobody wants to stir up trouble," summed up one OTS examiner. "Everyone knows: You buck the system, you pay the price."

That play-it-safe attitude is only compounded these days, as Bush—even as he hails his S&L watchdogs—quietly starves them. Since 1989, his administration has trimmed the OTS staff from 3,200 employees to 2,700; another 11 percent drop is expected by 1992. The Midwest region alone has suffered a staff cut of more than 33 percent.

OTS spokesmen downplay the effects of the cuts, saying that because many thrifts are being closed, fewer examiners are needed. But because the thrifts examined these days are generally larger and more complex than in past years, it is also true that more people, and more time, are needed for each review. "We go into a $2 billion shop and we have five weeks to look," said one frustrated examiner. "Not long ago, I'd go into a $100 million shop and have three months."

Cutbacks like these make it harder for good examiners to do their jobs; they also give whistleblowers legitimate reason to fear that they might be the next ones cut. But more than that, they ensure that the once turbo-charged OTS becomes just another second-tier government operation, as the young, bright staff slip through the revolving door. "Whenever you have cutbacks like this and people see that there is no future for advancement," said one examiner, "the best people—the most employable people—get out."

Let the sunshine in

Not that we can expect the Bush administration to be worried if a few dozen righteous investigators pack it in to work for the local S&L. With billions of dollars of taxpayer funds invested in the cleanup, and with Congress and the administration staking huge sums of political capital on seeing that their solution to the crisis works, no one's inclined to acknowledge the new red flags. "It's a political hot potato," said one OTS examiner. "The feeling is the less reported, the better." This goes especially for the megathrifts that the government has spent billions of dollars to "save."

As record bank failures are predicted for this year, OTS officials have lately convened to talk about toughening the rules—for example, requiring that all thrifts are examined on-site at least once a year. But they seem to be missing the point. All the political posturing that takes place in the nation's capital isn't worth a depositor's dime when an examiner is weeding through boxes of bank records in Lubbock. At the Environmental Protection Agency or at the Department of Defense or at the OTS, tough laws on the books and tough talk in the press don't necessarily mean tougher regulation. It's up to the regulators in the field to put decent rules into practice. So what we need, first and foremost, is a way to make the examiners and their field bosses accountable. One of the smartest ways to do that is to shed a little sunshine on bank secrecy laws.

While there was no single cause of the thrift scandals of the eighties, regulations requiring confidentiality of thrift examinations helped keep the industry's deep troubles under wraps far longer than they should have been. And while thrift regulations have been reformed, secrecy laws have not. A major exemption in the federal Freedom of Information Act (FOIA) continues to protect government officials from releasing information "contained in or related to examination . . . or supervision of financial institutions." The result is that while the regulators watch the thrifts, no one watches the regulators.

Secrecy laws covering financial records were originally enacted during the Depression years to prevent the release of "sensitive" information that could cause consumer panic and lead to runs on banks. But the establishment of government-backed insurance for every depositor has significantly reduced that risk. Eliminating the exemption and opening up the books would do three critical things to clean up the S&L mess. First, it would let depositors know when the people who manage the thrifts are running a sloppy ship. Second, it would keep the Bartlebys—whose work could well become public—on their toes. And most important, it would make it tougher for their OTS supervisors to cover up whenever politically expedient.

With billions of dollars of taxpayer money to be poured into the thrift system for decades to come, the stakes are enormous—then again, so is the thrift industry lobby. But until Congress and the administration decide to make OTS *accountable* as well as powerful, we can only expect more of the same: cowed regulators whose big weapons can't even neutralize the bureaucracy, let alone the bankrobbing bankers. ❑

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MEMO OF THE MONTH

Date: February 14, 1990 **File #:**

To: VARIOUS

From: DISTRIBUTION HUMAN RESOURCES

Subject: Affirmative Action

PG&E

COLLEGE RECRUITERS AND COORDINATORS:

Most of you received tentative affirmative action focuses for each function during our January recruiter training. The attached letter establishes the final focuses.

Changes are due to the following:

> Corporate EEO/AA is completing region availability reports at this time. As a result some employees have shifted among job families, changing levels of under-representation.

> In addition to ethnic groups, goals are also required for women. We have received a recent clarification telling us that "women" now includes all ethnic groups, as well as Caucasians.

Please use the attached letter as the basis for your affirmative action outreach efforts on campus.

Thanks for your cooperation.

D. Trevellini/cvc
DEBRA TREVELLINI

DT(223-8210):cvc

Attachments

cc: Randee Novick

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Marcus Welby, PA

Sometimes the best doctor isn't a doctor at all

by James Workman

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the United States, PAs and NPs are almost as rare as Asian elephantiasis.

If that means unnecessarily high medical costs for absurdly simple procedures, patients ought to rise up in anger: *I want my Pap smear for $30, not $60!* So why don't they? In a theoretical, meritocratic America, you rise if you demonstrate competence, regardless of your surname or your skin color or the gloss of your credentials. In the real America, we forgive our teachers' subliteracy as long as they have teaching certificates in their files. Similarly, we tend to believe that almost all medical treatment necessarily involves highly trained, highly paid doctors, even when the average Boy Scout—let alone an amply trained nurse practitioner—could pop the same zit, do the same Heimlich, or apply the same splint. Our acceptance of credentialism explains why, when physicians assert that alternative care providers diminish the quality of care, we don't look at the evidence or our options. We just pull out our wallets.

Relief stitchers

On an average day, Mark Helgeson, the only fulltime health practitioner in tiny Eagle Bend, Minnesota, sets fractures, checks blood pressure, treats rashes and respiratory infections, stitches cuts, and prescribes drugs. His patients don't seem to mind that he's neither a doctor nor a nurse. Instead, he's a fully licensed member of a relatively new breed of medical worker: the physician's assistant.

Helgeson and his 20,000 fellow PAs nationwide are graduates of a two-year medical training program; most of them have had to pass a national certifying exam, and all of them work under the supervision of a doctor who can be as near as the same office or as far as 50 miles away. According to Congress's Office of Tech-

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nology Assessment (OTA), PAs are fully qualified to perform up to 80 percent of the duties commonly done by physicians, from taking medical histories and conducting physical exams to providing emergency care and even performing minor surgery. NPs often perform similar functions but are generally not permitted to diagnose illnesses. NPs, who must also work under the supervision of a doctor, require four years of training—training offered by such fly-by-night operations as Yale—and most have prior nursing experience. (Credentialists take note: Ivy League medical schools also train PAs.)

Since the birth of their professions in the sixties, tens of thousands of PAs and NPs have safely and efficiently plied their trade across the country. But they tend to practice in places where doctors don't want to. As the Department of Health and Human Services reported last year, many places—rural communities, inner-city neighborhoods, prison facilities, and nursing homes—would have little or no access to quality health care were it not for PAs.

One reason that prisons and poor and rural neighborhoods rely on alternative practitioners is that they're consistently cheaper than doctors. Take, for example, the office visit, Pap smear, and mammogram recommended annually for many women. Those simple procedures, which cost on average $227 from a private physician, average $193 with a PA. Not much difference, until you figure that if roughly 70 million women over the age of 20 saved this each year, a total of $2.3 billion would be saved on one set of routine procedures.

Whichdoctors?

But are alternative practitioners as *good* as doctors? That's the issue the medical establishment has raised for two decades to keep the Mark Helgesons in Eagle Bend instead of on the Upper East Side.

The established physician furrows his brow, shakes his head, and begins, patiently, to explain. While alternative care may sound nice, there are still quite a few (ahem) *concerns*:

➤"We have concerns," Dr. William Jacott, a family physician and member of the American Medical Association (AMA) recently told *The New York Times*, "that in some cases physician's assistants are providing care that they are not really qualified to provide."

➤Want a second opinion? Dr. Daniel Ein, president of the D.C. Medical Society, also has "concerns that there are areas of medicine which require lots of knowledge of how things work, and cases where nurse practitioners with independent practices are just not equipped, nor trained, to perform."

➤How about a third? While an AMA spokesman concedes that more than 80 percent of physical complaints could be cared for by nonphysicians, he voices "concerns about the 20 percent of physical complaints which do require intervention. Some can be very serious, and to discriminate between minor and dangerous takes a physician years to master."

These, of course, are legitimate concerns—ones shared by patients. No one wants some presumptuous second-tier health worker staring into his belly and wondering if the bladder is the little green organ or the large brown one, no matter how much money he is saving. While an NP could be trained to do most of the tests performed by, say, an allergist, he probably shouldn't be making decisions as to what those tests mean. And as physicians' organizations are quick to tell you, some alternative practitioners don't know their place. How about the Palm Springs midwife who dropped a patient in the midst of labor on the doorstep of a physician? Or the San Diego midwife who waited more than 24 hours this summer before turning her patient's complicated pregnancy over to a hospital for an immediate caesarean?

The patient who turns to alternative health care may indeed take risks. But so, for that matter, does the patient who checks into a hospital. Which risk is greater? Answering that question requires a somewhat less anecdotal approach.

The bleached white coats remind us that every physician is also a scientist. Most scientists would agree that for a hypothesis to stand it must be checked and rechecked in a gamut of tests and by a rigid analysis of data. So, does any research support the worry that patients are ill-served by PAs and NPs? Well, admits the AMA spokesman, no. In fact, the Congressional Budget Office summarized dozens of studies to conclude: "Nurse practitioners have performed as well as physicians with respect to patient outcomes, proper diagnosis, management of specialized medical conditions, and frequency of patient satisfaction." That was in 1979. A 1986 OTA report concluded that patients were even more satisfied with NPs than with M.D.s, since nurse practitioners appeared to have better communication, counseling, and interviewing skills than physicians. Another U.S. government-funded study conducted by the RAND Corporation found that patients treated by alternative care providers received more bedside care and spent fewer days in the hospital. A follow-up survey found that nonphysician practitioners provided more medical attention, monitored drugs more closely, and signed medical orders more promptly.

Is there, then, evidence, as doctors Jacott and Ein assert, that a PA or NP might try to provide care for

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which he or she was not properly trained? Again, government and academic studies have found that alternative care providers tend to know the limits of their practice and refer cases beyond them to physicians. "It's like an ongoing, progressive marriage," says Mark Helgeson. "Both the physician's assistant and the doctor gradually decide how much he or she can do. Just like with interns."

The AMA and state medical societies also worry that alternative practitioners might abuse prescription privileges. But researchers have concluded, to the contrary, that nonphysicians "are more likely than physicians to explain why medications are administered and what side effects are possible," and they are more reluctant than M.D.s to use unproven medication when it is not absolutely necessary.

These findings should be especially reassuring these days, as acute, low-tech health care becomes a more central part of medicine. Fitness awareness, improved sanitation, and a higher standard of living mean that people are living longer; the flip side is that they're also taking longer to die. Problems that come with old age and chronic illness require a different kind of treatment—treatment that PAs and NPs are well positioned to supply. Yet despite the demographic imperative, organized medicine—whether the AMA, the state medical licensing associations, or simply the physicians on a hospital board—continues to thwart the expansion of alternative health care: an effort that may have more to do with competition than quality of care.

Over the years, alternative practitioners have found themselves repeatedly blocked by trade barriers from refused hospital privileges to criminal charges. The barriers stem from a single source: American medical licensing laws.

Medical monopoly

In 1961, the *Journal of the American Medical Association* (*JAMA*) took a bold and farsighted action: calling for PAs to help compensate for physician shortages by providing reasonably priced care to large populations with unmet medical needs. Today, as health care costs eat up 12 percent of our GNP and more than 37 million Americans have no health insurance, *JAMA*'s 30-year-old argument is even more compelling. But the doctors themselves have changed their tune. Over the years, alternative practitioners have found themselves repeatedly blocked by subtle and not-so-subtle barriers: refused hospital privileges, denied prescription rights, forbidden insurance repayment, consumer agency investigations, arrests, and court litigation. All the barriers stem from a single source: American medical licensing laws.

Historically, these laws were enacted with the patient's needs in mind, ensuring that only qualified physicians provided treatment to the sick. Fair enough. But as competition increased, so did conflict of interest. Physician-dominated boards—not consumer advocates or elected officials—were charged with setting, lobbying for, and enforcing the medical licensing rules that affect all levels of health practitioners. Thus today doctors essentially control medical information, medical fees, and medical insurance company payment policies. They can, with little effort, close out competitive programs.

For instance, throughout the sixties and seventies, when the Mendocino area of Northern California was populated by hippies, artists, and marijuana farmers, the female residents turned to inexpensive local midwives for medical care, birthing, and postnatal advice. With a rise in property values, a wealthier set moved in. By the mid-eighties, when physicians discovered they could set up profitable practices in the area, the California Medical Society began to enforce its medical laws, drive out the less expensive midwives, and replace them with the ob-gyn physicians who work there today.

Self-serving actions like these have united alternative practitioners in opposition in recent years. Despite intensive AMA lobbying, Congress passed laws under the Omnibus Budget Reconciliation Acts of 1986 and 1990 that allow direct repayment to alternative practitioners. But this in no way revolutionized the practice. The AMA still opposes direct payment to PAs and NPs by Medicare, and the two groups find it next to impossible to get the nation's largest insurer, Blue Cross/Blue Shield (physician-controlled), to repay. "Sure, [our practice] may now be legal," says Susan Wysocki, director of the Nurse Practitioners Association in Washington, D.C. "But if insurance companies won't pay or reimburse you for something

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The Washington Monthly

JOURNALISM AWARD

FOR OCTOBER 1991 IS PRESENTED TO

Donald Barlett and James Steele
The Philadelphia Inquirer

The first wonder of "America: What Went Wrong?" is that any modern-day McEditor would stomach it: a numbing, nine-part exploration of how the economic policies of the Reagan and Bush administrations concertedly tilted the scales in favor of the affluent and powerful. The second wonder is that the writers pulled it off pretty well. While the analysis tends toward the heavyhanded—sections on the effect of deregulation and special interest lobbying are dismayingly simplistic—the economic statistics that undergird that analysis are devastating. By the end, the October 20–28 series succeeds by sheer accretion, its reams of policy arcana translated into an accessible portrait of middle- and working-class Americans getting screwed by laws designed to accommodate the influential over the average.

The Monthly Journalism Award is presented each month to the best newspaper, magazine, television, or radio story (or series of stories) on our political system. Nominations for any newspaper, magazine, or radio or television station in the country are welcome. The subject can be government in its federal, state, or municipal manifestation. Please send nominations to Monthly Journalism Award, 1611 Connecticut Ave. NW, Washington, D.C. 20009. Two copies of the article or broadcast text should accompany the nomination.

Nominations for stories published or aired in December will close January 15. Nominations for stories published or aired in January will close February 15. The January winner will be announced in the April issue and the February winner will be announced in the May issue.

. . . it's not worth it to perform independent health care."

The medical fraternity also uses its rules to curtail prescription-writing authority and hospital privileges. A few years back, the Ohio attorney general had to file an antitrust suit against the Joint Commission on Accreditation of Hospitals to pry open hospital privileges for nonphysicians. While prescription restrictions have been loosened in some geographic regions—mainly in states such as Montana and Minnesota with large rural populations—there are still large parts of the country where PAs and NPs are prevented from prescribing medications, and the AMA continues to oppose granting privileges in these areas.

MDeregulate

The AMA's push for tight "regulation" of alternative practitioners comes, ironically, from one of the most conservative constituencies in the country. As a group, doctors looked on with approval as the Reagan-Bush administrations undercut regulatory oversight in banking, real estate, and the environment. They nod to vague rhetoric about "empowerment" for consumers and a healthy "free-market" economy. And yet, when talk of deregulation swings around to health care—an idea promising competition for services, lower prices, and increased consumer access in areas where care is scarce—the market panacea becomes a bitter pill. Ironically, though, medical care is one area in which modified deregulation that opens up the medical realm to regulated alternative practitioners will yield real financial returns without real human cost. In fact, it might even have real human benefit for the millions of Americans who opt out of basic medical treatment—especially preventive care—because they have neither money nor insurance.

This sort of limited deregulation could free America's highly trained physicians from many routine and time-consuming tasks, allowing them to concentrate on serious cases and complex diagnoses. What it won't do is put doctors out of business. Instead, it will provide greater accessibility to health care at a lower social cost.

The forces of demographics, technology, and economics all demand alternatives to the venerable and expensive M.D. Only medical boards—and our collective lack of imagination—stand in the way. In England, Canada, and across Northern Europe, consumers already comprehend that making a good splint doesn't require $120,000 worth of specialized training. As the cost of health care continues to soar, it's time to reclaim an American innovation and allow it to start healing at home. ❑

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TIDBITS & OUTRAGES

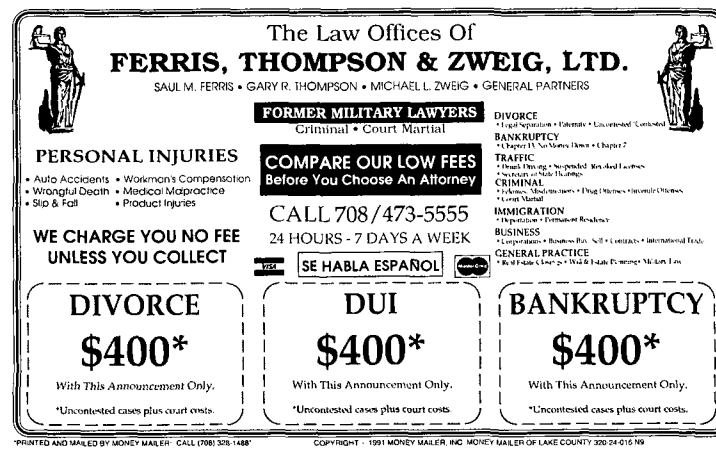
COMING SOON: ATTACK CONFERENCING AND BOMB FORWARDING
In a letter to the Baltimore *Sun* defending the stealth bomber, Secretary of the Air Force Donald Rice stated that "with the B-2, our pilots can reach out and touch even the most heavily defended targets."

IN A RELATED DEVELOPMENT, JEFFREY DAHMER IS BEING SENTENCED TO TEACH COOKING CLASSES
After former Assistant Secretary of State Elliot Abrams pled guilty to lying to Congress about contra funding, he was sentenced to deliver 100 hours of legal ethics lectures to other lawyers.

DISGRUNTLED POSTAL WORKER GOES BERSERK IN CALENDAR FACTORY
The official 1991 United States Postal Service wallet calendar listed both Columbus Day and Thanksgiving Day one week ahead of their actual dates.

"NOW, MIKHAIL SERGEYEVICH, WHAT SO-CALLED BUSINESS DID YOU CONDUCT AT YOUR DACHA?"
An IRS district director recently spent two weeks in Russia, Ukraine, and Kazakhstan teaching tax techniques to Soviet authorities.

DON'T FORGET TO ASK ABOUT OUR SPECIAL VOLUME DISCOUNT FOR SERIAL KILLERS



IT WAS A CLOSER CONTEST WITH FEWER TIME-OUTS
A recent Phoenix Cardinals home game was outdrawn by a nearby ostrich race.

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Oedipal Wrecks

Has a century of Freud bred a country of narcissists?

by E. Fuller Torrey

To us he is no more a person
Now but a whole climate of opinion.
—W.H. Auden

A few decades ago, Freudian theory was only sold at expensive Central Park West psychoanalytic boutiques to customers like Mabel Dodge and Marshall Field III. Like most luxuries in America, however, it has been repackaged and is now available at McFreud outlets everywhere.

If you somehow made it through college without being exposed to the theories of Sigmund Freud, you will almost certainly be confronted with them shortly thereafter: You will be one, or you will know one, of the 10 million Americans who seek help from psychiatrists, psychologists, and psychiatric social workers every year. Yet those Americans are merely the most easily apparent portion of the counseling and psychotherapy iceberg. Millions more—nobody knows precisely how many—seek help from a variety of marriage counselors, family therapists, pastoral counselors, failed encyclopedia salesmen, enterprising bartenders, and self-appointed gurus who range from caring and competent to, as Shakespeare would say, rascals and knaves.

Although an increasing proportion of counseling and psychotherapy is not explicitly Freudian, most of it defers to the Viennese doctor indirectly. For the common denominator of virtually all counseling and psychotherapy is the Freudian assumption that intrapersonal and interpersonal problems—shyness, difficulty making a commitment, depression, anxiety, obsessiveness, slovenliness, substance abuse, eating disorders, loneliness, the inability to find

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Dr. Torrey is a research psychiatrist in Washington and the author of 12 books. This article is adapted from the book The Freudian Fraud: The Malignant Effect of Freud's Theory on American Thought and Culture *(copyright (c) 1992 by E. Fuller Torrey), to be published in June by HarperCollins.*

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meaning in life—originate in childhood experiences, especially in one's relations with parents. Thus solving those problems involves a painstaking, guided tour through one's childhood memories.

Take codependence counseling, the latest in a long line of therapy fads in America. Pia Mellody, a movement leader, explains that codependence is caused by parental "abuse" of children, also called "dysfunctional parenting," and further defined as "any experience that was less-than-nurturing or shaming." The treatment for problems of codependence is quintessentially Freudian: "Recovery involves reviewing your past to identify formative experiences in your early life that were less-than-nurturing or abusive."

Freudian theory has invaded our thinking to such a degree that we are barely aware of its existence. For instance, in 1990, Kitty Dukakis published an autobiography and traveled the talk show circuit explaining how her addiction to alcohol and drugs had been caused by her mother's rejection.

Yet this steady diffusion has transpired despite a large body of research on psychotherapy during the last three decades that has generally concluded that the particular brand of psychotherapy that Freud promoted—psychoanalysis—has proven to be no more or less effective than other brands of psychotherapy. As psychologists Seymour Fisher and Roger Greenberg, in an exhaustive review of research on the efficacy of psychoanalysis, concluded, "There is very little evidence in the experimental literature even suggesting that the results of therapies called 'psychoanalysis' are in any way different from the results obtained by treatments given other labels." Nonetheless, in no other nation in the world have Freudian counseling and psychotherapy become so much a part of the culture as in America. And this American anomaly has implications—including disturbing ones—that cry out for examination.

To be sure, America's embrace of Freud has done some good. His popularity has promoted a more inner-directed culture in which intrapersonal feelings and interpersonal relations are accorded greater importance than the mere accumulation of material possessions. Many Americans will argue that the pursuit of psychic nirvana itself has greatly enhanced the quality of their lives. And Freud's theory has surely encouraged the growth of humanistic and egalitarian thought in America. Although Freud personally valued neither of these attitudes very highly, his theory evolved, in some liberals' hands, into a call for social reform. In a 1960 essay, critic Walter Kaufmann, comparing Freud to Abraham Lincoln, articulated this reformist subtext. "Like no man before him, [Freud] lent substance to the notion that all men are brothers. Criminals and madmen are not devils in disguise, but men and women who have problems similar to our own; and there, but for one experience or another, go you and I."

Yet, while Freud's theory and its ensuing movement have made important contributions to American thought and culture, they have also brought liabilities, chief among them the promotion of irresponsibility. This evolved perhaps logically from the belief that individuals are governed by powerful unconscious forces, arising from early childhood experiences, which thereby usurp their freedom of action. That conviction has led, in the words of one writer, to "the golden age of exoneration."

Today, the Freudian paradigm is so intertwined with liberalism and humanism in America that to doubt the former is to implicit-

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ly denigrate the latter. But in the areas of child-rearing, mental health, and criminal justice, the denial of personal responsibility has had a grimly unhumanistic effect. Freudian men and women are seen increasingly as puppets of their psyches, governed primarily by the edicts of their egos. The corollary to don't-blame-me is blame-my-parents. In the Freudian schema, mother, father, family, social circumstance, and culture become the causal agents for whatever is wrong. The ripple of personal irresponsibility spreads outward until the very terms "good" and "bad" seem to lose their meaning. In fact, the only thing that does seem to have true meaning is the search for the truth about one's self.

There have always been self-centered individuals, but twentieth-century America may be the first place in which their quest for self and happiness has been equated with the greater good. In *The Culture of Narcissism*, historian Christopher Lasch observed, "In a dying culture, narcissism appears to embody—in the guise of personal 'growth' and 'awareness'—the highest attainment of spiritual enlightenment.'" Lasch himself, however, relied heavily on Freudian theory for his formulations of narcissism. Like countless other critics, he failed to understand that a major contributor to the narcissism he described was one Sigmund Freud.

Nasal academy

Who was this great man of psychoanalysis? If you had asked that question at a Viennese gathering in 1895, your companions would probably have laughed. Freud, then a 39-year-old physician with a private practice specializing in cases of neurosis, "was the man who saw sex in everything," one of Freud's colleagues recalled. "It was considered bad taste to bring up Freud's name in the presence of ladies. They would blush when his name was mentioned."

While Freud did not actually see "sex in everything," he did believe that sexual abuse of children and sexual repression were the causes of anxiety neurosis, phobias, obsessions, hysteria, and neurasthenia. In 1895—a critical year in the doctor's thinking—he specifically singled out "voluntary or involuntary abstinence, sexual intercourse with incomplete gratification, [and] coitus interruptus" as pathological factors. A decade later, he would broaden his theory to indict sexual problems as the cause of all neuroses. In a statement widely quoted by his followers, Freud asserted that "no neurosis is possible with a normal *vita sexualis*"—the logical implication being that neurosis would be far less common if people's sexual lives were less inhibited and repressed.

But back in 1895, Freud was still figuring things out—deeply engaged in active research on the relationship between sexual function and neurosis with his collaborator and close friend Wilhelm Fliess. Fliess was a Berlin-based ear, nose, and throat specialist who believed that "the misuse of the sexual function"—especially masturbation, coitus interruptus, and the use of condoms—caused damage to the nervous system and also to tissues in the nose. Fliess had localized specific "genital spots" in the nose and believed that neurosis caused by the misuse of the sexual organs could be treated by applying cocaine to those spots or by electrically cauterizing them.

Freud shared Fliess's enthusiasm about cocaine before it was shown to be addictive. Besides taking it regularly himself, he gave the narcotic to his fiancee and sisters. He called it "a magical drug," noting that it produced "the most gorgeous excitement" and "exhilaration and lasting euphoria." But more significantly, in his professional work, he also shared Fliess's fascination with the nose. Freud believed that many physical and mental symptoms were caused by a "nasal reflex" that originated in the genitalia, went to the nose, and then was transmitted to other organs.

The most significant case on which Freud and Fliess collaborated in 1895 was that of Emma Eckstein, a young woman who had come to Freud with "stomach ailments and menstrual problems." Suspecting that the woman's problems were caused by masturbation, which was mediated through the nasal reflex to her stomach and uterus, Freud summoned Fliess to Vienna to operate on Eckstein's nose. After Fliess returned to Berlin, Eckstein began hemorrhaging profusely and dangerously from the nose; a Viennese surgeon had to be called in. The surgeon removed "at least half a meter of gauze" that Fliess had inadvertently left in the nasal cavity. Several additional surgical procedures were necessary to stop the intermittent hemorrhages; as a consequence of the procedures, the surgeon recalled, "her face was disfigured—the bone was chiseled away and on one side caved in." Freud initially believed that the hemorrhages were a consequence of the surgery but later concluded that they were "hysterical in nature, the result of sexual longing."

Emma Eckstein's inauspicious outcome did not shake Freud's confidence in the nasal reflex. Nevertheless, he continued to look for the deeper sexual origins of mental disorders. On October 15, 1895, Freud excitedly wrote to Fliess that he had discovered the "great clinical secret" that "hysteria is the consequence of a presexual *sexual shock*," and "obsessional neurosis is the consequence of a presexual *sexual pleasure* which is later transformed into [self-] reproach. 'Presexual' means, actually, before puberty,

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before the release of sexual substances; the relevant events become effective only as *memories*." So certain was Freud of his theories that he wrote Fliess again the following day, announcing, "I consider the two neuroses essentially conquered."

These letters constitute one of the earliest expressions of Freud's theory of infantile sexuality, which was to become the essence of his theory of human behavior. Freud believed that traumatic events related to sexual development permanently shape one's personality traits. In subsequent years Freud divided his "presexual" period into oral, anal, and genital stages of development and focused especially on the Oedipal conflict in which, Freud claimed, little boys want to incestuously possess their mothers and kill their fathers. Such thoughts were said to overwhelm a child's psyche and lead to repression and later neurosis. By using dreams and other techniques to explore the unconscious, Freud hoped to uncover repressed memories of childhood sexual trauma that he believed to be the cause of neurosis.

In the years after Freud, his followers have argued about precisely when in childhood the putative traumas occur (some psychoanalysts have theorized that they even occur *in utero*), what part of the psyche is most damaged, and what techniques are most effective in psychotherapy to overcome the repression and make the unconscious conscious. Despite such disputes, the discussions of Freudian theory have continued to focus on the importance of sexual traumas in early childhood. Freud emphasized this in a 1905 essay in which he stated, "My views concerning the etiology of the psychoneuroses have never yet caused me to disavow or abandon two points of view: namely, the importance of sexuality and of infantilism."

Before long, armed with this contention and undeterred by Freud's strange career, his disciples—in childcare, in prisons, in mental health—were off and running.

Honey, I shrunk the kids

No single individual has done more to disseminate the theory of Sigmund Freud in America than Benjamin Spock, whose *Baby and Child Care* is said to follow only the Bible and all of Shakespeare's works as the all-time bestselling book in the English language. In many respects, the guide, first published in 1946, has been invaluable to American parents. Opening with the words, "Trust yourself—you know more than you think you do," it is both useful and reassuring. It is also fundamentally Freudian, which is precisely what Spock intended it to be. "The theoretical underpinning of the whole book is Freudian," he later acknowledged. Thus, he persuaded two generations of American mothers that nursing, weaning, tickling, playing, toilet training, and other activities inherent in childraising are not the innocuous behaviors they appear to be at first glance. Such activities, according to Spock, are really psychic minefields that determine a child's lifelong personality traits; maternal missteps on such terrain can result in disabling and irrevocable oral, anal, or Oedipal scars.

In retrospect, it is surprising that it took so long for Freud's theory to become incorporated into American childrearing practice. Freud himself had noted the implications of his theory for childrearing, and many of his early followers, especially his daughter Anna, urged that Freudian principles be used for the process by which "unrestrained, greedy, and cruel little savages" are turned into "well-behaved, socially adapted, civilized beings." The key to childrearing, said Anna Freud, is the realization "that children, no less than adults themselves, are dominated by their sexual impulses and aggressive strivings."

Spock became a devout believer in that view after his first psychoanalysis. But being scientifically oriented, the doctor later attempted to prove what he had come to believe in his heart. In 1959, with a $30,000 foundation grant, he recruited 21 families who were expecting their first child to participate in probably the most ambitious study ever undertaken to prove that childrearing based on Freud's theory can ameliorate developmental problems.

Each family was counseled twice a month for six years by one of eleven top-level faculty members from the departments of psychiatry and pediatrics at Case Western Reserve University in Cleveland, where Spock was working at the time. Psychoanalytically oriented, the faculty members included several who had been trained by Anna Freud. Spock's hypothesis was that "with such skilled counselors consulting with each family a full hour every other week, we could prevent difficulties" in such areas as breast feeding, thumb sucking, toilet training, and sibling rivalry. The children were then followed up for at least 13 years.

The results of the study should have been a stunning blow to Spock's faith. Despite the intense counseling, he acknowledged, "the children in the study had just as many problems as any other children." One child "was still wetting the bed at 12 years in spite of all the psychiatric and pediatric ingenuity expended on his case for nine of those years." Spock further noted that it was virtually impossible to predict which children would have problems later in childhood based on early experiences with their parents. "We all found that our predictors were no damn good." The study, in short, had completely negative results, but little of the data was ever published. In-

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stead, Spock continued to promote Freud's theory on scientific grounds. In a recent interview Spock reiterated, without irony, "The whole Oedipal situation is proven again and again."

After *Baby and Child Care*'s enormous success, Spock increasingly invoked Freud's theories in popular magazines, foremost among them *Redbook*, for which he began a monthly column in 1963. The columns were punctuated with expressions such as "psychoanalysis may show," "psychoanalysis reveals," "child psychoanalysts have reported," and "there's lots of psychoanalytic evidence." For example, with regard to masturbation, Spock warned that "psychoanalysts believe that many worries about bodily inadequacy start from unnecessarily stern warnings about masturbation."

Freud "was the man who saw sex in everything," one of his colleagues recalled. "It was considered bad taste to bring up Freud's name in the presence of ladies."

But it was the Oedipal conflict that appeared to preoccupy Spock the most, and he wrote about it regularly. It was "that crucial stage of early sexual development, roughly between three and five years of age. . . . A boy decides that his mother is the most attractive woman in the world and that he wants to marry her and have a baby with her. . . . The little boy gradually becomes aware that he has a powerful rival for his mother's love in his father. . . . The analysis of boys' drawings and dramatic play and dreams shows that they feel particularly rivalrous and resentful about their fathers' much larger penises. . . . At times boys feel like doing something drastic to their fathers' penises. This hostility brings feelings of guilt."

This period, Spock advised, is crucial to children's emotional development, and if it is not managed skillfully, all kinds of untoward consequences may ensue, including "excitability, overactivity, sleeplessness, frequent masturbation, school failure, difficulties in parental management, and sexual behavior of which the parents disapprove."

Spock offered practical advice to parents on how to navigate the treacherous sexual shoals of the Oedipal period. For example, he counseled, "It's wise to make the rule 'Don't ever let a child sleep in your bed.'" He also argued strongly against allowing children to see parents nude; a small boy, said Spock, "is apt to be upset. . . . [T]he marked discrepancy in size of genitals arouses resentment." When worse came to worst, Spock never hesitated to recommend psychiatric care—and specifically psychoanalysis—for any child who seemed to be having problems. For school children "who run into study blocks despite high motivation and intelligence, the first step is to discuss the situation with the school personnel and get their recommendations. This often includes psychiatric consultation. The psychiatrist usually advises psychoanalysis or a less intensive but prolonged course of psychotherapy."

Spock thus laid the groundwork for the widespread contemporary exploitation of child counseling and psychotherapy—an expensive, exhaustive, guilt-ridden practice that his own study had wholly discounted. Yet he wasn't alone in his efforts. If kids weren't getting watered-down Freud from their Spock-reading parents, chances were they were getting it from their schools.

The incorporation of Freudian theory into education had been proposed from the earliest days of the theory's arrival in America. At Columbia Teacher's College in the first half of the century, it was recommended that academic credit be given for personal psychoanalysis. But the consequences of this infusion of Freudian theory into education were not truly felt until after World War II. Guidance counselors, who had once advised students on vocations and colleges, instead began concentrating on counseling students about their personal problems. By the mid-seventies, it was estimated that there were more than 60,000 school guidance counselors and 7,000 school psychologists in the United States. The assumptions of these school counselors and psychologists were predominantly Freudian; as the director of school mental health in Pittsburgh phrased it, "Schools are our community mental health centers."

The opportunity costs of that approach are clear. School psychologists, who had once tested students to identify cognitive problems and then recommended remedial courses, evolved instead into amateur psychotherapists. Yet, as the phenomenon of parents enrolling five-year-olds in psychoanalysis amply suggests, perhaps the most fundamental consequence of Freud's influence on childrearing has been two generations of parental guilt. Such guilt permeates the American consciousness to a degree probably unparalleled elsewhere in the world. It is as if the sins of the children have been visited on their parents, a reversal of the biblical order of things. Such guilt cre-

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ates in its turn the need for expiation and atonement, which many parents seek through psychotherapy. Thus, Freudian theory has both effectively created a need and furnished a product to fulfill that need—a merchandising stratagem as elegant in its simplicity as in its profitability.

But what does that product do for the children? Isaac Rosenfeld, a prominent Chicago intellectual in the fifties, captured the era of permissive childrearing in a vignette. Speaking of his academic friends, who had raised their children according to "Spock and Gesell with an assist from Bruno Bettleheim," he said, "One sure way of telling whether you are visiting an academic or nonacademic household is by the behavior of the children, and the extent to which you can make yourself heard above their clatter. If it is still possible to conduct a conversation, you are in a nonacademic household."

Jailhouse Spock

The psychoanalytic approach of Sigmund Freud was incorporated into America's jails and prisons much more quickly than it was welcomed into its nurseries. Whereas childrearing had to wait for Spock's post-World War II writings to become Freudianized, criminology and corrections accepted Freud's ideas as they arrived from Europe even before World War I. Since then, American thinking about criminal behavior has become so infused with psychoanalytic pigment that it is difficult to visualize what it looked like in its natural state. But clearly, Freudian theory has dramatically affected American criminology and corrections in three important areas: the concept of responsibility, the idea of crime prevention, and the use of punishment.

It had long been accepted under English law that individuals whose criminal actions had been the result of insanity or other brain diseases should not be held fully responsible, but it was the influence of Freudian ideology that led to the extension of this concept to other prisoners—sane, capable, prisoners, but, in Freudian terms, inculpable ones. Perhaps the most aggressive proponent of this view was Dr. Karl Menninger, a psychiatrist who became to corrections what Spock would be to childrearing—the popular evangelist of psychoanalytic scripture.

Like Spock, Menninger came to Freud, not in the laboratory, but on the couch, while undertaking a brief trial of psychoanalysis as part of his psychiatric training. After graduating and setting up a clinic for the mentally ill in Chicago, he became even more interested in Freud. In 1931 and 1932, he undertook a formal psychoanalysis in Chicago; in 1934, he visited Vienna and met Sigmund Freud personally. "Freud did not treat me very nicely, as you know," he wrote to a colleague afterward, "but nonetheless I think his ideas, his grasp, his formulations are so infinitely ahead of anything else that has been proposed that I have nailed my banner on his mast, and I'll defend it against assault for the rest of my life." Karl Menninger became, in his own estimation, "more Freudian than Freud."

What Menninger derived from his personal psychoanalyses and his study of Freud was a single overriding belief about all human behavior, including criminal behavior. Menninger believed that mothers are the cause of virtually all psychopathology. As he argued in two remarkably misogynistic *Atlantic Monthly* articles in 1939, the roots of crime can be traced to "the childhood experience of having been frustrated too considerably and too rapidly" by mothers. This experience of frustration leads in turn to "the hate that burns in the child's heart."

Spock never hesitated to recommend psychiatric care—and specifically psychoanalysis—for any child who seemed to be having problems.

As Menninger later explained in *Harper's*, "The offenders who are chucked into our county and state and federal prisons are not anyone's beloved children; they are usually unloved children, grown-up physically but still hungry for human concern which they never got or never get in normal ways. So they pursue it in abnormal ways—abnormal, that is, from *our* standpoint." To punish such offenders is therefore not only illogical, but it is also unfair. As Menninger summarized it: "*I suspect that all the crimes committed by all the jailed criminals do not equal in total social damage that of the crimes committed against them.*" Instead of the "medieval stupidities" of the traditional legal corrections system, then, what was needed was treatment. "The future of the American prison system," Menninger concluded, "is in the hands of the psychiatrists and their allies, the social workers."

For the next 50 years, until his death in 1990, Karl Menninger continued to be the principal voice urging the psychiatrization of criminals, his influence as

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Freud's ambassador to the nation's jails and prisons increasing as his clinic became more widely known. By 1950, *Newsweek* labeled the Menninger Clinic "the world's best-known psychiatric center." When Menninger's *The Crime of Punishment* was published in 1968, the *New York Times* called it "a thunderous, plain-speaking indictment of traditional law enforcement," while *Life*, labeling it "a model of rationalism," proclaimed: "Read this book and weep—and pray that Karl Menninger may be heard in our chambers of injustice and the pesthouses we call penitentiaries."

Of course, by that time, Menninger's message was already beginning to be heard, in both the prisons and the courts. In 1954, at the height of postwar psychoanalytic ascendence, Judge David Bazelon handed down what was known as the *Durham* decision in the District of Columbia—a decision Menninger called "more revolutionary in its total effect than the Supreme Court decision regarding segregation." Bazelon's assertion—"Our traditions also require that, where such [criminal] acts stem from and are the product of mental disease or defect as these terms are used herein, moral blame shall not attach and hence there will not be criminal responsibility"—was a completely logical extension of Freudian thinking about criminal behavior. Its impact was to be far-reaching.

What happened after Willie Horton was recommended for unsupervised furloughs in 1986 was not uncommon, but it did make one rape victim, one presidential candidate, and the Democratic Party particularly prominent victims of the Freudian theory of corrections.

Under psychoanalytic theory, "the product of mental disease or defect" can be extended to virtually every criminal act. It is not surprising, therefore, that *Durham* and its subsequent variations extending the insanity defense have spawned an imbroglio in American courts.

According to one study, acquittals on grounds of insanity increased fivefold between 1965 and 1976; the average length of confinement for murderers found not guilty by reason of insanity was only eight months. Insanity, in the broad Freudian sense, became increasingly relied on as a defense for crimes, with defense lawyers and psychiatrists becoming ever more creative. In their descriptions, seemingly innocuous childhood experiences became malignant antecedents of crimes. In the 1969 trial of Sirhan Sirhan, who was accused of killing Robert Kennedy, defense psychiatrists introduced testimony about Sirhan's hatred of his father.

Another well-publicized example of courtroom Freud was the trial of Richard Herrin, a Yale graduate who in 1977 brutally hammered his girlfriend to death when she tried to break off their relationship. Herrin acknowledged having had a "plan" to murder her, searching the house for a proper weapon, and concealing the weapon under a towel in case the victim's family, sleeping in adjacent rooms, happened to see him in the hall. And, although this fact was not revealed at the trial, Herrin also admitted purchasing a book a few days prior to the crime about the use of the insanity defense in a murder trial. Nevertheless, Herrin's lawyer claimed that his client was experiencing an "extreme emotional disturbance" at the time of the crime and that he was not guilty by reason of insanity. In addition, argued defense psychiatrists, sundry childhood events had led Herrin to "an intense fear of abandonment by his loved ones," so that when Herrin was confronted by a girlfriend who wanted to end their relationship, he murdered her. The jury found Herrin guilty only of manslaughter because of his "extreme emotional disturbance."

As for those criminals who don't get off by pleading such sorts of mental distress, their stay in prison is likely to be influenced by Freudian theory. Probably the best known recent failure of prison "treatment" is Willie Horton. Convicted in Massachusetts in 1975 of fatally stabbing a gas station attendant 19 times and then dumping his body in a trash barrel, Horton was sentenced to life in prison without parole. But at the time, Massachusetts ranked behind only California in its enthusiasm for the psychotherapeutic "treatment" of prisoners. Thus, despite a history of drug use while in prison, Horton was recommended for unsupervised furloughs in 1986 by his

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"caseworker." What happened next was not uncommon, but it did make one rape victim, one presidential candidate, and the Democratic Party particularly prominent victims of the Freudian theory of corrections—a rehabilitation theory that studies have repeatedly rejected.

Over the past 35 years, Maryland's Patuxent Institution has embodied the goal of rehabilitation, rather than punishment, as thoroughly as any penal institution in the United States. After Patuxent's creation in 1955, its 500 inmates, who were carefully selected from applicants residing in other Maryland state prisons, were "treated with both individual and group psychotherapy to help them understand the roots of their criminal behavior." All inmates were eligible for home furloughs, work releases, and parole from the day they arrived; the determining factor was not how much time the prisoner had served, but rather how quickly he acquired insight into his behavior and was thereby "cured." Under these guidelines, individuals sentenced to life imprisonment were released from Patuxent after an average of eight years, compared to 20 years in other Maryland state prisons.

Despite Patuxent's decades of operation, until recently there was virtually no published research data on the prison's effectiveness, although it was claimed that the recidivism rate of its released prisoners was far lower than the rates at other Maryland prisons (an assertion that had to be weighed against the fact that Patuxent had selected for admission only those prisoners deemed to be good rehabilitation risks). In 1991, however, the results of a comprehensive study were released, showing that "former Patuxent inmates are just as likely to be rearrested as are people released from other state prisons included in the study." The counseling programs were said to "have no discernible effect on prisoner recidivism."

The Patuxent findings were not unique. After looking at "the effect of individual psychotherapy upon recidivism" in 13 different studies, another set of researchers concluded in 1975 that "no clearly positive or negative general statement can be made." When the *type* of psychotherapy was taken into account, however, it was found that "pragmatically oriented therapy," which "focused on personal, vocational, and social issues," was "more successful than psychoanalytically oriented therapy in reducing recidivism." The study concluded that "treatment" of offenders "is likely to be unsuccessful and perhaps even harmful, if it is administered to nonamenable, younger offenders by unenthusiastic therapists with a psychoanalytic orientation." Additional studies have since confirmed these conclusions, but so entrenched is the Freud influence that states continue to view analysis as redemptive. Nevertheless, after decades spent sending prisoners into Freudian-inspired psychotherapy, the recidivism rate at all U.S. prisons is about the same as it was in 1920.

State-sponsored shrinks

Another place where Freudian theory has promoted the misallocation of energy and resources is the field of mental illness, where the vast majority of the nation's 200,000 psychiatrists, psychologists, and social workers spend their time doing counseling and psychotherapy based, directly or indirectly, on Freudian theory. This mental health trend, already apparent by the fifties among the educated elite, first began to trickle down during Johnson's War on Poverty, under the auspices of Community Mental Health Centers (CMHCs). Although those centers were represented to Congress as a new treatment system for the mentally ill, the program was subverted from its inception by followers of Freud, who saw it as an opportunity to put their beliefs into action. Dr. William Menninger, Karl's brother and one of the architects of the National Institute of Mental Health (NIMH), had stated clearly that Freudian theory "serves as the only logical basis for preventive psychiatry—a valid mental hygiene."

From its beginning, the federally funded CMHC program was used to attempt to implement the Freudian theory of human behavior on a mass scale. Dr. Robert Felix, NIMH director when the CMHC legislation was passed, urged his colleagues to combine psychoanalysis and public health, as he himself had done, and become involved with "education, social work, industry, the churches, recreation, the courts" so that "mental health services" would be "fully integrated into, and a regular and continuing part of, the total social environment." Felix's vision of a government-sponsored mental health utopia was shared by other NIMH psychiatrists. Dr. Stanley Yolles, who succeeded Felix as NIMH's director in 1964, was especially emphatic about the responsibility of psychiatrists to combat poverty: "The conditions of poverty, since they constitute a breeding ground for mental disease, require the professional involvement of the modern psychiatrist."

In fact, there was then, and still is, no evidence that poverty causes mental diseases other than in rare cases in which severe malnutrition leads to pellagra. Nevertheless, Freudian theory became implicit government policy; the "prevention of mental illness" and the "promotion of mental health" were to be carried out by federally funded psychiatrists in federally funded offices with their utopian plans typed on official government stationery.

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It is hardly surprising that the grandiose expectations for community mental health centers came to naught. By the early seventies, most CMHCs had ceased trying to force society to conform to Freudian specifications and reverted back to being traditional mental health outpatient clinics, providing counseling and psychotherapy to individual patients. But, as tens of thousands of today's middle-class "codependents" can attest, talking to your therapist about your mother continues to be a national pastime, with or without federal assistance. And it continues to usurp an extraordinarily large share of professional resources that should be going to the seriously mentally ill.

The losers in this misallocation of resources have been individuals with serious mental disorders such as schizophrenia and manic-depressive illness. Such individuals are poor candidates for Freudian-inspired counseling and psychotherapy both because their brain diseases often preclude logical thinking and because such counseling and psychotherapy are ineffective modes of treatment for these diseases. Individuals with serious mental illnesses require medication and rehabilitation rather than discussions about early childhood.

Freud himself virtually ignored patients with serious mental illnesses, writing, "I do not like these patients." But Freud's followers have not heeded that advice. One indirect consequence is the sad spectacle of approximately 200,000 untreated mentally ill individuals among the nation's homeless population, despite the fact that America has more mental health professionals than any other country. This scene is one more legacy of Freudian America.

America's Freudian slip

Still, the greatest thing we've lost through our infatuation with Freud may be less visible than the undisciplined child, guilty parent, recidivist prisoner, or untreated person with schizophrenia on the corner. It's the loss of concerned and activism-oriented individuals whose energy has been diverted toward psychotherapy and away from social change. This is seen most prominently in social work, where practitioners were once on the forefront of efforts to improve society by combatting poverty and improving working conditions; in recent decades, social workers have become almost exclusively psychotherapists, tinkering with individual egos rather than trying to transform social systems. But the opportunity cost is also evident among countless thousands of people, whatever the profession, whose proclivity toward social reform has been diverted to a quest for self-awareness.

Sociologist Philip Rieff has noted a strange "indifference to politics of many educated Americans of liberal political persuasion who have been instructed by Freudianism." And that fact is hardly surprising. Despite the historical association of Freudian theory with social reform in America—an association that drew humanists like Michael Harrington into analysis—the two are, in practice, antithetical. Freudian theory, inherently passive and self-absorbed, assumes that change must begin within individuals rather than within social structures. An individual who is a reformer and who undertakes psychoanalysis quickly learns that protestations against social inequalities are mere displacements of anger against one's father, another manifestation of neurosis.

For social activists, the analysis of unconscious motives for wanting to improve the world has frequently transformed zeal into pabulum. Consider reformer Jerry Rubin, who, following his opposition to the Vietnam war, "experienced est, gestalt therapy, bioenergetics, rolfing, massage, jogging, health foods, tai chi, Esalen, hypnotism, modern dance, meditation, Silva Mind Control, Arica, acupuncture, sex therapy, Reichian therapy, and More House—a smorgasbord course in New Consciousness." A parallel phenomenon can also be seen in thousands of other young, socially conscious potential reformers who, once they begin Freudian-inspired psychotherapy, embark on an endless rotation around their psychic navels and disappear forever from the political scene.

The loss of these individuals from the struggle for social change has been one of the most damaging effects of Freudian theory on our culture—damage perpetrated doggedly despite so much evidence that Freud's analytical solution doesn't work. Analyzed children don't grow up healthier; prisoners aren't reformed; mental illness is not cured; social injustice endures. Meanwhile, the freedom to blame parents and childhood experiences seems as American as the freedom of speech.

One cannot help but wonder what would happen to America if the billions of dollars now spent on analysis were devoted instead to treating the real causes of crime, mental illness, and social inequity. Nor can one avoid imagining how much would change if millions of people spent the same hours they now spend digging in the garden of childhood working instead in community service, volunteering their time for the benefit of others. Perhaps those perpetually analyzed, codependent, and confused Americans would eventually come to realize that our highest cultural ideal should not be finding oneself, but hearing and helping others. And then, perhaps, we'll have the collective might to do what we should've done long ago: topple Freud's insidious suzerainty of self. □

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Ruling by Degree

Why the new meritocracy is bad for America

by Nicholas Lemann

Almost at the same time that E. Digby Baltzell published his best-known book, *The Protestant Establishment*, in 1964, his title character began to go to seed. This came as no surprise to Baltzell, whose book, though remembered as a paean to the Establishment, was actually more of a jeremiad. Though Baltzell certainly believes there should be an establishment (or better yet, an aristocracy) running the country, he was upset about the conduct of the establishment we had; its narrow-mindedness and ethnic prejudice, he believed, were transforming it from a ruling class into a ruling caste. Taking his cue from his idol Alexis de Tocqueville's analysis of the French Revolution, Baltzell predicted that once the class-to-caste transition took place, the elite would fail to admit into its ranks the best products of the lower orders and would therefore lose its vitality and authority. An anarchic frenzy of social equality would be the inevitable result. In his new book, *The Protestant Establishment Revisited** (which sounds like a sequel but is actually a collection of essays), Baltzell quotes a famous line from Marx—"The more a ruling class is able to assimilate the most prominent men of the dominated classes, the more stable and *dangerous* its rule"—and then suggests that, by his lights, "*dangerous*" could be changed to "*desirable.*"

Baltzell today treats the Protestant Establishment as if it were obviously dead, and I think he's right. It will be objected (stay your hands a moment, *Washington Monthly* letter-to-the-editor writers) that today the president, the secretary of state, and the secretary of the treasury are all White Anglo-Saxon Protestants born to secure upper-class wealth and educated at boarding schools and Ivy League

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colleges—a WASP Trifecta not achieved at any other time in the past half-century—and that Ralph Lauren has gotten very rich helping the middle class to acquire a hint of the old WASP style. All true, but the Protestant Establishment is dead nonetheless. George Bush is president only because the completely unestablishment Ronald Reagan, who beat him soundly in the 1980 presidential campaign, then picked him as vice president; and Bush campaigns as a born-again redneck, not a patrician.

To be precise, what has died is the social world described in the novels of John O'Hara and John P. Marquand, and in some of Baltzell's essays about Philadelphia, his lifelong home: a world where power was held by local barons to a much greater extent than today and where you could not enter the local barony in older communities—could not run a big business or a bank or a law firm or a hospital—unless you had been born into the right family, grown up in the right neighborhood, attended the right private schools, and married the right woman. (Baltzell reminds us that Philadelphia, which is usually thought of by outsiders as Rocky Balboa's hometown, was an extreme case: As late as 1955, the two candidates for mayor were named J. Richardson Dilworth and Thacher Longstreth.) There is a tremendous difference between the notion that some upper-class WASPs are very powerful, or the notion that the WASP style is popular, and the notion that a small, cohesive group of WASPs runs the country. It's this last notion that Baltzell correctly assesses as having become ridiculous.

The faked resume plays a part in modern America like that of a shameful bit of hidden lineage in Victorian novels.

I suppose you could argue that in a handful of venues, people still want to know what your mother's maiden name was, and traditional upper-class social credentials certainly don't hurt anybody's chances for success. But having gone to Groton or belonging to the Country Club in Brookline or possessing a last name like Cadwalader is today only about a 15-percent advantage. As recently as the early sixties, having such credentials was a necessity if you wanted certain positions (most of them in local gentries) and was an enormous advantage in the big-time world of Washington and New York. Even Gatsby-style, self-invented big shots now feel free to pick their mates (rather than their mistresses) on the basis of achievement, looks, and personality, instead of on inherited social position. This is a new development: Recall that in the fifties, John, Robert, and Edward Kennedy all felt impelled to marry Catholic society girls from families more respectable than their own. Of course ambitious young men still "marry up," but "up" today means being less ethnic, better educated, and more prosperous by background, rather than possessing a Social Register name or being a post-debutante.

The institutions that were the bastions of the Protestant Establishment—local banks, law firms, and substantial family businesses—have been subsumed into national corporations, or have become less important. The Southwest and West, to which much power has shifted, never worked up much of a Protestant Establishment in the first place. The rise of the media has had an inevitable erosive effect on the ethic of deference on which the Protestant Establishment depended: The current establishment secretary of state, James Baker, is a master press-handler, but imagine how poorly it would serve him to strike the majestic, heyday-of-the-establishment pose of his predecessor Dean Acheson, a man who (tautologically, but undeniably) was formidable because he was formidable. Also, the establishment's folkways were inimical to widespread workaholism—after all, its power arose from its elaborate, time-consuming rounds of sporting events and society balls—so most of its children were ill prepared to compete around the clock for the current tokens of prestige, such as money and high-level jobs.

The Protestant Establishment came into being as the result of a titanic power struggle between the pre-Civil War aristocracy and the post-Civil War plutocracy. These groups despised each other, and the aristocrats perceived the Gilded Age as a gloomy period of national ruin—*The Education of Henry Adams* conveys the upper-class attitude toward the era perfectly. But, miraculously, in the period between 1880 and 1915, the aristocrats and the plutocrats arrived at an elaborate, informal entente, smoothed over by many intermarriages. As Baltzell points out, the founding in the late nineteenth century of institutions like country clubs, boarding schools, rich suburbs, cotillions, and downtown men's clubs, along with the transformation of the Ivy League schools from institutions of ministerial training to molders of a national

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elite, enormously helped the process along. It also made things easier that both the aristocrats and the plutocrats were WASPs. By the end of World War I they had become substantially indistinguishable, and the new cross-bred plutocrat-aristocrat class is the Protestant Establishment that Baltzell made famous.

It's easy to see how someone of Baltzell's generation (he was born in 1915), even if he understood all of the above intellectually, would instinctively gravitate to the view that the Protestant Establishment represented the natural, comfortable, basic order in American society—the state of nature, almost. Because Baltzell is a child of the high-WASP culture he writes about, his work is closer in spirit to that of professors of African-American studies and women's studies than of most of his fellow sociologists: He writes with a wonderfully precise, novelistic sense of familiarity, but his sentimental loyalty to his subject sometimes clouds his analysis. The heyday of the Protestant Establishment was in fact quite brief, occurring mainly in the twenties. The 1929 stock market crash dealt the Protestant Establishment a body blow, and, as Baltzell observes, the reordering of American society after World War II rapidly destroyed it.

Baltzell's idea is that the Protestant Establishment could have saved itself by taking in the better class of ethnics. The case of President Kennedy was the perfect realization of the Baltzell model: An Irish-American socialized virtually from birth into the ways of the WASPs—he was raised in the Episcopal suburb of Bronxville, New York, and educated at Choate and Harvard—eventually becomes perhaps the most pro-establishment, and most stylistically "upper-class," president in our history. (Bear in mind that Baltzell is so WASPy that he cites Grace Kelly as an example of white-ethnic success.) The prejudice that hurt the WASPs most, in Baltzell's view, was their anti-semitism, since it deprived their establishment of a much-needed infusion of brains and entrepreneurial energy—but Baltzell also would like to have seen W.E.B. Du Bois's black "talented tenth" included. Baltzell is tremendously snobbish but seems to be free of ethnic prejudice; the only group he openly dislikes is the Quakers.

Still, Baltzell doesn't make a wholehearted argument that if a few cards had fallen differently, the Protestant Establishment would still be running the country. He knows that the forces arrayed against it, immensely strengthened by World War II, could not have been resisted for long. He identifies with absolute precision the particular mechanism that brought the establishment down: meritocracy. He writes: "[I]n the course of the fifties, for the first time . . . the prestige colleges became the major carriers of elite norms; performance on SAT tests replaced 'character' as a criterion for admission to the best institutions, and deans of admissions replaced parents and debutante rituals as the major upper-class marriage brokers in America." This process created an elite most of whose members came from outside the Protestant Establishment culture; conversely, in the kingdom of merit, most of the children of the Protestant Establishment were denied positions of power and influence. At this point in the story, though, Baltzell disappoints: He permits himself to be drawn into the clubroom grumblings of his class and to portray what succeeded the Protestant Establishment as an anarchic, immoral, left-wing dystopia of social leveling and excessive state power. He correctly observes that no great society in history has been a complete social democracy, but from this he leaps to the conclusion that every successful society must have a quasi-hereditary ruling class—he doesn't explore the obvious possibility of a democratically constituted (and democratically inclined) leadership, even though he has seen one with his own eyes, as his fond references to the multiclass, multiethnic, very successful World War II armed forces, in which he served, demonstrate.

Because it is extremely difficult for even a curmudgeon like Baltzell to resist the power of intellectual fashion, he was too quick to believe (in the fifties) in the soulless conformity of the new middle-class suburbs and (in the sixties) to overestimate the extent of influence of the values of hippies and SDSers. Thus, he has been able to conjure up a picture of a nuttily anti-assimilationist America with "no common culture, no common values, and no common history," which simply isn't recognizable as the place where most of us live and where millions of people all over the world would like to live. Like Henry Adams at the beginning of this century, Baltzell at the end of it is so distressed by the loss of power of the traditional leadership class that he can't see the current situation as being anything but chaotic.

Lapdogs with laptops

What has actually happened after the collapse of the Protestant Establishment isn't anarchy at all, but the rise to dominance of what might be called the Meritocratic Upper Class. This observation flows so naturally from Baltzell's work that it's really a shame he didn't make it himself; but he didn't, so I'll have to. The Meritocratic Upper Class is today a distinctive group with its own values and own way of life—perhaps not as fully articulated as the Protestant Establishment's, but the Meritocratic Upper Class is still quite new.

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The essential formative experience of members of the Meritocratic Upper Class is educational overachievement. Therefore, in the culture of the class, purely social or ethnic credentials don't matter much, but educational credentials matter a great deal (and adult status is mainly a function of the prestige of one's job). The stations of the cross for members of the Meritocratic Upper Class aren't Tap Day or the Assembly Ball, they're the Princeton Review course and the day the admissions letters from college and graduate school arrive. A social gaffe can't ruin a member of the Meritocratic Upper Class (as it did for a member of the Protestant Establishment in John O'Hara's first and best novel, *Appointment in Samarra*), but a professional setback can. Grave career problems like accusations of malpractice and plagiarism transfix us because they have the power to destroy meritocrats' lives, and the faked resume plays a part in modern America like that of a shameful bit of hidden lineage in Victorian novels.

The reason affirmative action issues stir up such strong passions is that universities have become the most reliable distributors of success in America. Decisions about admissions and hiring are decisions about who gets to be in the establishment.

The Meritocratic Upper Class is probably somewhat larger than the Protestant Establishment was. Its members live in metropolitan areas, particularly on the East and West coasts. They marry within the class —Baltzell was right about the dean of admissions being the new marriage broker—and usually form two-career couples after marriage. They generally work as what Robert Reich calls "symbolic analysts"—as lawyers, doctors, investment bankers, management consultants, professors, and, increasingly, in the fields of journalism, entertainment, and information processing.

Members of the Meritocratic Upper Class have a distinctive taste in clothing, cars, architecture, books, movies, and food. Because it changes regularly I don't want to try to pin it down too precisely. As a general rule, meritocrats prefer things that can be described with words like "authentic" or "understated" or "quality" or "old," so long as they aren't seedy; they also have a weakness for well-designed high-tech stuff. They make a lot of money but don't accumulate "fortunes" in the manner of members of the Protestant Establishment in its great days. Partly for this reason, and partly because they've had to run a gauntlet to get where they are, meritocrats tend to feel somewhat aggrieved: For example, they very often complain about "stress" and feel that they don't live as well as they deserve to and that their taxes are too high.

While they know they can't be absolutely certain of passing on their status to their children, their main focus in childrearing is trying to maximize the odds of their kids' success by stressing education and the development of the psychological tools necessary for high achievement. One day —after novelists and filmmakers of high stature memorably depict its culture—the distinctiveness of this class will be obvious, but it apparently isn't yet.

Perhaps it will help define the Meritocratic Upper Class more clearly if I mention two other classes that also play a part in running the country but are quite different. I'll call them "Lifers" and "Talent." Lifers are people who, after completing their education, join large organizations—the military, corporations, the civil service—and spend their lives slowly rising through the ranks of management until, after many winnowings out, a few of them briefly attain great power. The Talent class includes salesmen, entertainers, athletes, entrepreneurs, and specialists in arcane financial fields like currency trading—they're people who perform (and are rewarded) at a high level in fields where output can be precisely measured, and who therefore don't need formal credentials.

Because the principle of risk reduction is at the top of meritocrats' minds as they choose careers, they tend to shun the Lifer and Talent tracks: In both, only a tiny percentage of those who enter will get to become big shots, while in the professions the odds are a lot shorter. (On the Talent track, even if you make it, you can become washed up later.) Also, in the case of the Lifer track, meritocrats stay away because over the last generation they've developed a contempt for organizational life, and their dream of success is now symbolized by those magazine ads in which the guy is sitting alone on a mountaintop with his notebook computer. As for the Talent track, it's stylistically too vulgar and showy for most merito-

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crats, whose tastes tend to be muted as a kind of tribute to the WASPs they displaced from power.

Dialectical elitism

Anyone who has spent time around the Meritocratic Upper Class knows that it believes success in America is apportioned on a moral basis. Baltzell doesn't quite see this—he seems to think of meritocracy as being inherently heartless and amoral, rather than as a profoundly fair way of equalizing opportunity and then rewarding the most deserving and hardest working, which is the view of most meritocrats. On the other hand, he reminds us of something we've now completely forgotten, which is that the Protestant Establishment believed that *it* was apportioning success in a profoundly fair way, rather than simply reserving all the goodies for Episcopalians who happened to have been born in the right hospital beds—it felt itself to be evaluating and rewarding people on the basis of, in Baltzell's words, "character and moral standards." Indeed, within its strictly limited eligibility pool, the Protestant Establishment usually did confer the best positions on people who combined talent, diligence, and decency.

The best-known victims of the Protestant Establishment's way of making personnel decisions were Jews, who, when the top jobs were being handed out, always seemed to be disqualified on the grounds of their shortcomings in the "character and moral standards" department—they were too ambitious, too pushy, insufficiently genteel. (There were exceptions to this rule, but they were usually German Jews, who very often quietly shared the Protestant Establishment's view of their co-religionists from Eastern Europe.) The reaction to this among Jews was to doubt the good intentions of the criterion. It was well known that, as Baltzell readily admits, instinctive anti-semitism was one of the Protestant Establishment's chief vices: Was it really plausible, then, that there were any WASPs who actually believed in "character and moral standards" as something that wasn't synonymous with "different from the way Jews are, culturally"? The fight to replace the Protestant Establishment's standard with a meritocratic one based on academic performance and aptitude-test results was one that Jews joined in wholeheartedly, because they believed that the "character and moral standards" test was prejudiced, and the meritocratic measurements inherently fair. So what Baltzell saw as the abandonment of moral standards by universities and employers, most Jews saw as the *adoption* of moral standards. The rise of the meritocracy was for Baltzell what the rise of the plutocracy was for Henry Adams: He couldn't see any good in it.

Today the struggle over affirmative action and multiculturalism has a similar structure. What Jews (now joined by Asians) see as a personnel system in keeping with the highest ideals of American society, many of the post-World War II wave of ethnic new arrivals in metropolitan America, notably blacks, see as a way of rigging the race so that only people born in fortunate circumstances can win it. The reason these issues stir up such strong passions is that universities, in addition to educating people, have become the most reliable distributors of success in America; decisions about admissions and hiring are decisions about who gets to be in the establishment. The elite universities realize this full well and have been brilliant at hedging their bets during the current American power struggle. The Protestant Establishment still has disproportionate power in the Ivy League, partly owing to its astute use of its capital to make gifts to alma mater in return for slightly eased admissions standards for its children; the meritocrats are essentially in the catbird's seat; and the universities are also careful to make special efforts to include "people of color," the new claimants to membership in the ruling class.

The advocates of affirmative action (and opponents of the meritocracy as it's now run) are engaging, then, in a time-honored battle: the struggle of rising ethnic groups to revise the personnel system in such a way that it will reward more of them. Al-

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though this process takes place under the banner of the Left, it can be justified on conservative, de Tocquevillian grounds: Inclusion is the best means of self-preservation for the Meritocratic Upper Class, and changes in the composition of the elite almost always involve altering the standard of admission. Unfortunately, the case for affirmative action is usually made in a rhetoric of fairer distribution of outcomes, rather than of equalization of opportunity; America is much more sold on the latter than the former. It is still worth asking Baltzell's question about the Meritocratic Upper Class, however: Fair, open, and efficient though it may consider itself to be, is it in fact on its way to becoming a caste, and weakening the country through the tenacity of its hold on power?

Ivy League isolationists

In favor of the Meritocratic Upper Class, it can be said that it is not nearly as prejudiced and cosseted as the Protestant Establishment was. Its social life is carried out in restaurants more than in private clubs (and to the extent that private clubs are still important, they're the more meritocratic ones, like the Century in New York and the Cosmos in Washington); some of its children go to public schools (though only in the suburbs, and even there, the number is probably decreasing); and it isn't mono-ethnic. Access to it is probably more open than access to the Protestant Establishment was, and its children's ultimate place in life is determined at birth to a lesser extent. On the other hand, at this fairly early point in its history, the Meritocratic Upper Class is more Darwinian, more convinced of its own superiority, than the Protestant Establishment was—the meritocrats made it by running the educational gauntlet and therefore qualify as self-made, don't they? Also, the Meritocratic Upper Class is fairly isolated from the rest of the country, and becoming more so. Many of its members, as Robert Reich has observed, have engineered an Ayn Randian exodus from any involvement with the public sector, through the use of security guards, private schools, and Federal Express. They don't serve in the military. Their taxes have been cut while everyone else's have gone up. They mostly live in enclaves in only a couple of small slices of the country. Because of their taste in way of life, they have very little spare time or money. All this breeds a lack of familiarity, empathy, concern, and responsibility with respect to everybody else.

Another flaw of the Meritocratic Upper Class is that it is concentrated in careers that don't promote economic productivity. Even its members who go into business are usually advisers and transaction-arrangers, not managers or entrepreneurs, who tend to come instead from the Lifer and Talent classes, respectively. To the extent that the Meritocratic Upper Class really does replenish its ranks by seeking out the talented from every nook and cranny of the country and bringing them together in the best universities, it then substantially wastes the talent by channeling it so heavily into the professions. Because of the meritocrats' avoidance of the Lifer track, government service, which is an acceptable career path for graduates of elite European universities, doesn't attract the Meritocratic Upper Class, and neither do big corporations.

With any established upper class—especially if it becomes a caste—there is a danger that it will use its power to protect those aspects of the society from which it derives its position. In America today, this would mean keeping an excessive share of our resources tied up in the legal, medical, and financial worlds, while business and government wither.

Class dismissed

Even for those who don't believe there should be a coherent, quasi-hereditary upper class of any kind, rectifying the shortcomings of the Meritocratic Upper Class should be seen as a noble cause, since to do so would be to make the Meritocratic Upper Class less coherent and less quasi-hereditary. Its isolation is the easiest of its problems to address, at least partially, because instituting a compulsory national service would help so much. The problem of restricted access to the class could be solved in part by trying hard to find ways to make big personnel decisions later in life and on the basis of performance rather than credentials. Lifer and Talent venues like the military, the corporate world, Hollywood, and Silicon Valley tend to have more varied leadership groups than do the meritocratically controlled professions, because they don't have to decide who makes it and who doesn't before the age of 30, when inherited advantages are at the peak of their potency. If we can move the professions in this direction, it will help solve the Meritocratic Upper Class's economic productivity problem, too: If a six-figure income were no longer virtually assured for everyone who enters an elite law school or medical school, and became instead merely a possibility, then we'd immediately stop seeing more than half the graduates of our best colleges becoming doctors and lawyers.

All this would certainly help stave off the Meritocratic Upper Class's metamorphosis into a caste—and it might even, dream of dreams, broaden access so much that the country would be well led by an ever-changing group of people who were not members of a discernible class, or establishment, at all. ❑

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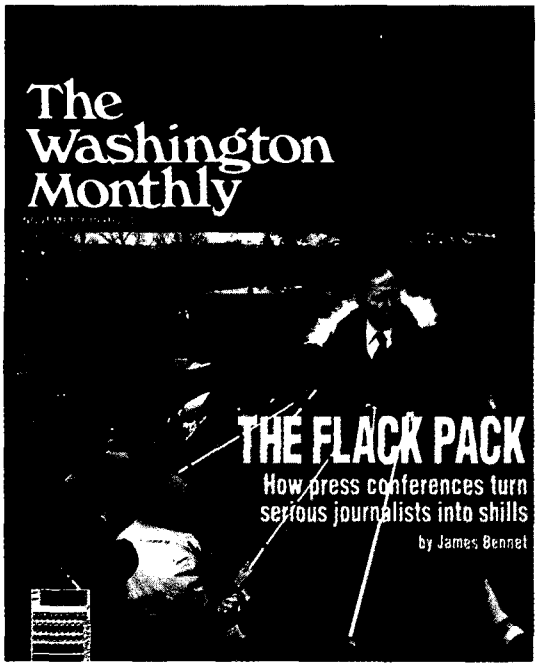
Common Sense



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The Predators' Fall

Sure, Milken and Boesky got busted. But that's not why Wall Street went bust.

by Michael Lewis

One day some smart person will refute the conventional wisdom that the hippies of the sixties and the yuppies of the eighties were polar opposites. It is true that in a short 20 years the attitude of American youth to the free market turned 180 degrees—that the Berkeley seniors who once hooted with delight as Abbie Hoffman floated dollar bills onto the heads of traders from the gallery of the New York Stock Exchange cheered when Ivan Boesky, in his famous commencement address, told them that "[G]reed is healthy. You can be greedy and still feel good about yourself." But the real connection between the sixties and the eighties is that both witnessed a direct challenge by American youth to the American corporate establishment. Only this time the radicals wore suits.

The spiritual center of the financial eighties was Drexel Burnham's annual junk bond sales conference, known as the Predator's Ball. The event first took place in 1977 as a sober gathering of less than a dozen Drexel clients but quickly became an annual celebration of the ideas that made the last decade revolutionary: that debt is good, that the market is inherently moral, and that finance could and should be used as a weapon against entrenched corporate drones. By 1985, the Predator's Ball was drawing more than 100 companies that had issued junk bonds through Drexel, and an audience of 1,500 investors who controlled an estimated 1 *trillion* dollars in junk-bond buying power. They listened raptly to CEO Fred Joseph explain Drexel's newest idea for financing any client with the right attitude who wished to raid a company. "For the first time in history," said Joseph, "We've leveled the playing field. The small can go after the big." Or, as another Drexel banker put it, "We're going to tee-up GM, Ford, and IBM and make them cringe."

Anyone who explains the success of the Predator's Ball explains a lot of what happened in the last decade. But this is not as easy as it sounds. The common perception is that the new corporate willingness to borrow money was caused by a tax code that favored debt over equity. But the tax code favored debt long before Drexel's junk bond king, Michael Milken, came of age, and it still does. What's more, the tax argument fails to explain why investors bought junk bonds. A favorite explanation is that investors succumbed to the mass insanity of the bull market. "What you don't know," said one patron of the 1985 Predator's Ball, "is whether you have a watershed in American business or a South Sea Bubble."

That quote is lifted from *Den of Thieves**, which inclines towards another view: that Michael Milken acquired enough market power through his criminal activities to muscle corporations into issuing junk and investors into buying it. The book consists of two parts. The first tells of the four financiers—Dennis Levine, Martin Siegel, Boesky, and Milken—at the center of the two main circles of insider trading on Wall Street. The second tells how the prosecutors hunted them down and shows that the key to the investigation's success wasn't the highly publicized RICO Act, but the ability of the prosecutors first to terrify and then to immunize smaller fry, who then ratted on their superiors. Stewart, a lawyer by training and a *Wall Street Journal* editor by profession, handles both stories skillfully. He weaves the financial and legal threads so that his narrative reads more like true crime than another boring tome about business. By the standards of financial and legal reporting, *Den of Thieves* is a masterpiece.

Much of the more colorful material is new. I suppose by now we should be surprised at nothing we hear about financiers. Still, Levine, who both traded on insider information and sold information to Boesky, comes across as a crackpot parody of Wall Street attitudes. "The [insider trading] game is fun, Bob, it's easy," he tells a friend at Lazard Freres.

Michael Lewis is the author of Liar's Poker *and* The Money Culture.

**Den of Thieves.* James B. Stewart. *Simon & Schuster, $25.*

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"The government is stupid. Nobody with any brains is in that operation. They only make 30 grand, if that." When the stupid government eventually catches him, however, he seems almost pleased. "None of this matters," he tells the same friend, now an accomplice. "It doesn't matter as long as you're famous. . . . I hear I'm on the cover of *Newsweek*."

Ivan Boesky is accurately described by his son as "stark raving mad." Dining one evening with a fellow arbitrageur, he ordered all the dishes on the menu. "When the food arrived," writes Stewart, "the waiter wheeled a table next to them. On it were the eight featured dishes of the day. Boesky looked them over carefully, circled the table, took one bite of each. He selected one and sent the rest back. . . . Boesky only picked at his food."

To Stewart, the financial eighties were one giant criminal conspiracy, with Milken in the starring role of Omnipotent Evil Genius.

Milken, too, seems stranger than fiction. A lot of classroom economics is premised on the idea that the more money a person makes, the less he wants. Not this junk bond king. At the end of the year in which he was paid $550 million, Milken spent hours lobbying CEO Fred Joseph for an extra $15,000. Stewart recounts another time when "a salesman in Drexel's midtown Manhattan office, Gary Winnick, bought some of Milken's bond inventory for one of his clients. Winnick earned one eighth of a point on the spread, or the difference between the price the customer paid and what Milken charged him. . . . Winnick was furious to learn that Milken's spread had actually been 30 points, and that Milken had kept 29 7/8 for himself. Winnick was astounded that Milken would be so greedy. They were, after all, colleagues."

Although the narrative inevitably converges on Drexel Burnham—which employed Milken, Siegel, and Levine—Stewart admirably resists the notion that its crimes were peculiar. He implicates almost every major firm on Wall Street, most damningly the venerable Goldman Sachs. Before the publication of Stewart's book, the popular perception was that Goldman's most infamous criminal, Robert Freeman, was the victim of overzealous prosecution. Stewart—probably relying on Siegel, who was clearly his key source—claims that Freeman regularly swapped illegal tips with Siegel. "Gray as the lines sometimes were," he writes, "Siegel was almost never in any doubt when the line was crossed. He always felt at least a twinge of guilt and anxiety. Siegel gave Freeman details of International Controls Corporation's bid for Kidder Peabody client Transway International; Freeman told Siegel he had taken a big Transway position for his children. While Goldman was involved in the Philip Morris acquisition of General Foods, Siegel asked Freeman, 'What do you think of the [General Foods] stock?' Freeman replied, 'It looks good to me.' This meant that Siegel should buy it, which he did."

The weakness of the book lies less in the story than in its interpretation. Stewart is a master of the invisible spin, which he applies in the usual way of the newspaper reporter: by selection of material, by finding someone else to say what he thinks, by seemingly innocent juxtapositions, by an apocalyptic tone of voice. I offer two small examples (because all of the examples are small). Of the sleaze-filled taped conversations obtained in a raid of Princeton Newport Securities, Stewart writes that "two made a deep impression on the prosecutors. They stood out not just because of their value as evidence—neither, standing alone, was proof of any crime—but because of what they revealed about the state of mind that prevailed on Wall Street in the mid-eighties." Of a conversation between Boesky and a friend: "[*It*] captured the peculiar dynamics of Wall Street during the heyday of the eighties, when criminal activity seemed to have insinuated itself into the very fabric of human relationships." There is much more of the same. Taken together it conveys a fairly trenchant view of Wall Street as, well, a den of thieves.

Perhaps Stewart fears that he taints his material if he makes too obvious an attempt to think about it—that readers are less likely to buy reporting if they think they are being sold an opinion or two in the bargain. The trouble is that the man has views; a strong editorial line runs right through his story. Put too simply, it is this: The financial eighties were one giant criminal conspiracy, with Milken in the starring role of Omnipotent Evil Genius. "In an era that purported to glorify free-market capitalism," he writes, "this story shows how the nation's financial markets

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were in fact corrupted from within, and subverted for criminal purpose." But the criminals were caught. And Stewart believes that the system worked, and to work even better requires only heavier fines and more efficient watchdogs.

Perhaps I am putting words into the author's mouth, for he never argues his thesis outright. Instead he suggests that since the crime coexisted with a financial revolution, the two are inextricably linked—he cannot mention the one without drifting into the other. "To dwell on the ill-gotten gain," he writes in his preface, "is to miss the big picture. During this crime wave, the ownership of entire corporations changed hands, often forcibly, at a clip never before witnessed. Household names—Carnation, Beatrice, General Foods, Diamond Shamrock—vanished in takeovers that spawned criminal activity and violations of the securities laws . . . thousands of workers lost their jobs, companies loaded up with debt to pay for deals, profits were sacrificed to pay interest costs . . . bondholders and shareholders lost many millions more. Greed alone cannot account for such a toll. These are the costs of greed coupled with market power—power unrestrained by the normal checks and balances of the free market, or by any fears of getting caught." Does he mean to say that the corporate names vanished because of the crimes of a handful of men? I think so. But it does not follow.

To me it seems more plausible that the link between the financial revolution of the eighties and the crimes was direct but incidental: The indulgence of junk bond buyers fueled the takeover boom, and the takeovers presented the investment banking advisers with information not available to the market as a whole, and thus with a chance to profit by trading. The lawbreaking, while central to Milken's grip on his market share, was irrelevant when it came time to do the deals. Certainly other Wall Street firms contributed their share of financial mayhem without committing any crimes—let us observe a moment of silence for First Boston and Campeau, Goldman Sachs and Macy's, Salomon and Revco. The crimes were in my view less a first cause than a symptom of the larger antisocial attitudes that became convenient to hold on Wall Street, because they paid. What is really unsettling about the last decade is that the economy was more or less screwed up legally. Which means there is nothing to stop it from happening again. □

The New Old Boy

Why even the best congressmen sell out to stay in

by James Boyd

Arriving at the Speaker's throne in January 1989 for his swearing-in, Nebraska Rep. Peter Hoagland was something of an ornament to the political process. At 47, tall and rangy with wavy black hair, he had the kind of smooth good looks that deflect resentment by virtue of one homey defect, extruding ears. Scion of a family prominent in Omaha for five generations and heir to a tradition of "giving something back," he had half a lifetime of conscientiousness behind him—honor graduate of Stanford, a Vietnam-era hitch in the Army, captain of his moot court team at Yale Law School, and years amid the legal nitty-gritty as a public defender. Along the way, he defected from his parents' Republicanism when he saw in John F. Kennedy's administration "a disinterested quest for intellectual truth."

Returning to Omaha in his mid-thirties, Hoagland built a $250,000-a-year personal injury law practice, spearheaded a "sunshine laws" ballot initiative that paved the way for a tough new ethics law in the legislature, served on the national board of Common Cause, and won election to Nebraska's unicameral legislature, where he earned a reputation as a reformer and a man of "candor and directness."

Even upon his ascent to Congress, he refused to accede to the self-inflation of his new position. Forbearing to use his staff as chauffeur and valet, he commuted to Capitol Hill from the suburbs each day via bus and subway, seeming always to wear the

James Boyd, a former Senate aide, is the co-author of Confessions of a Muckraker *and author of several other books.*

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same baggy blue suit. He resisted the pomp, indulged in by most members, of stationing flags of nation and state on either side of his office door, and he declined to wear the gold eagle lapel pin that heralded him as a congressman. Soft-spoken in private as well as in public, he never exploited the power or the tensions of office to abuse underlings. It is a sworn fact that his chosen expletive was "gee whiz." Through years of the forced conviviality of politics, Peter Hoagland had hung onto a remnant of personal dignity; he shrank from the back slapping that is a congressional rite and had been seen to wince when back-home hacks or labor union allies called him "Pete."

He would seem, then, to have posed a considerable challenge to the assimilative powers of Congress. But it is the message of this new book* that he, like others before him, did not. The twin facts that cripple congressmen's ability to serve the public interest—fear of losing office, and the institutional tentacles Congress throws out to banish that fear—immediately began to close in on him. Robert Cwiklik, without losing faith in Hoagland, traces that encirclement with remarkable fair-mindedness and insight.

Hoagland was in sync with one basic truth about Congress long before he got there: Party or platform wasn't the thing, incumbency was. The central circumstance making his congressional career possible was the existence in 1988 of an "open seat"—i.e., the incumbent was not running for reelection. He knew, as only a long-repressed office seeker could, that the incumbent's advantages—name recognition, campaign money, staff organization, the support of special interests, and credit from thousands of constituents for helping with federal services—had effectively removed that seat from the democratic process. Eight years he had waited for the seat to open and now that he had it, he intended to close it off for at least another decade. His predecessor had locked up the seat as a Republican; he could do so even more easily as a majority Democrat—if only he had the time to learn how to exploit those advantages and get them in place.

Not to worry. Congress laid them all out upon his arrival, as if in a display case.

One night early on, Hoagland, a newly minted member of the House Banking Committee, responded to an invitation to a fundraiser for a colleague, Rep. Tom McMillen, and the scales fell from his eyes. It has long been illegal to use a congressman's office suite for soliciting contributions. That's why the Democratic Club is just around the corner from the Capitol. A banquet room was filled with two types—lobbyists, wearing lapel stickers that identified their employers and bearing checks of up to $2,000 ($85,000 would be netted); and fellow congressmen, who helped draw the lobbyists and who were circulating among them, laying the foundations for their own fetes. Other such banquet rooms adjoined—Hoagland learned that some of his colleagues attended two or three fundraisers in an evening. And just around the corner from the Democratic Club was yet another ethics-free zone where hustling money from special interests was de rigueur—a building that housed both the Democratic National Committee and the Democratic Congressional Campaign Committee (DCCC), equipped with boxy little offices just right for congressmen, one at a time, to work the phones, using time-proven lists to seduce PACs around the nation.

From that night on, Hoagland became a regular, not only raising money for his next campaign but also earning back the $293,000 he had lent his last one, which, under House rules, was legal. Quickly he mastered the time-saving pragmatics, not bothering with any PAC "whose legislative interests don't coincide with any of the committees I'm on." So adept was the neophyte that a secretary at the DCCC said Hoagland should get the "telephoner of the year" award. Says Cwiklik, "The process is quite routine—like ordering towels from a catalog. On a typical call to a PAC run by Massachusetts bankers, Hoagland was put through to the secretary in charge of solicitations. Would one of their lobbyists be at his upcoming fundraiser? The secretary asked the congressman to fax an invitation, then said, 'Could you spell your name for me?'" Dignity had become a disposable encumbrance.

Cadging away day after day, the unknown Hoagland would collect $800,000 during the term—serviceably intimidating for a district in frugal Nebraska.

Pen pals

Efficient fundraising was only one arrow in the incumbent's quiver. Another was proper partisan use of his government payroll—$431,760 for staff salaries. "Exactly none was spent on hiring people with Washington policy or legislative expertise," reports Cwiklik. The key positions went to campaign organizers and media flacks who could channel the taxpayers' largesse and the Congress's "free media" into a steady stream of favorable publicity that no lurking opponent could hope to match. The rest went largely to case workers and secretarial support.

* *House Rules: A Freshman Congressman's Initiation to the Backslapping, Backpeddling, and Backstabbing Ways of Washington.* Robert Cwiklik. *Villard, $20.*

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Henceforth, every month or two, on the pretext of holding a series of "town meetings" in the district that would draw maybe 20 souls each, the "media team" would mail out blizzards of invitation cards, tens of thousands of them, each bearing Hoagland's name and picture, showing that he was accessible and on the job. Every week, people in his district would get "personal," computer-generated letters with his machine-generated signature, "targeted mail" —elaborating positions with which the computer knew the recipient agreed. In one weekend alone, 165,000 letters were dispatched.

The staff "often referred to lobbyists as 'slime'—as in 'there's slime waiting to see you.'"

Every day, someone in his district—veteran, pensioner, student, small businessman, whose name and problem Hoagland did not know—would bless the congressman because his staff had influenced a federal bureaucrat to move the constituent's file from the bottom of a pile to the top; happily, all those who were hurt by this, those whose files had moved down a notch, would never know they had been screwed by a congressman. And every hour Hoagland's media team would be massaging some cog in the Nebraska press to ensure that the publicity the office propagated made it smoothly to the first edition. Cwiklik observes that the state's press delegation in Washington, like many others, more or less "just took what they were given" by the many congressional offices they covered with too few hands. Sixty percent of Hoagland's coverage in the district originated from his own flacks and his own "reaction quotes" to the issues of the day. When it was decided back home that the S&L legislation, Hoagland's main concern his first year, was "too complicated" for Nebraska's press delegation to cover, the media became dependent on Hoagland's staff for its coverage of his role.

After two years, Hoagland's office could recall only one unfavorable story that had appeared in the Nebraska media, and that one originated with a national paper. The staff waited and waited for someone to ask where Hoagland had gotten the $293,000 of his own money that he had lent to his election campaign, but years passed and no one ever did.

Rep school

When Hoagland first left Omaha for Capitol Hill, he promised "to continue to tell the hard truth" and proclaimed that his election was a "mandate" to tackle tough problems. But two weeks of breathing the defensive air of Congress withered his boldness. His watchword to staffers became "only 654 days until the next election." Sure, he was still against the B-2 bomber—"the biggest waste of money he'd ever seen"—but now he mused that to oppose it was impolitic and that it might take three or four terms before he was strong enough to confront the dragon. His private reaction to the Supreme Court decision throwing out anti-flag burning laws was supportive—"You shouldn't go to jail for burning a piece of cloth"—but in an interview with an Omaha TV station he called the decision "unfortunate," voted for a House resolution expressing "profound concern" over the court's ruling, and showed up on the Hill with an American flag pin on his once-austere lapel. In his speeches back home, notes Cwiklik, "gone was the talk of 'mandates' to raise taxes or to cut someone's favorite program" in order to meet the deficit crisis head-on.

Before long, his conversations—and his votes—reflected the standard congressional duplicities: "Sometimes," he would note, "you have to fall on your sword" (i.e., vote for a bad bill in order to please special interests while hoping piously that the bill will be defeated or vetoed). "The safest thing to do is vote against a bill that passes or vote for a bill that fails"—as when Hoagland voted against the bill to raise congressional salaries and then privately rejoiced when it passed overwhelmingly.

The sense of personal dignity that had set Hoagland apart, the rejection of the pushier forms of self-aggrandizement, did not long survive. During the congressman's weekend speechifying in Nebraska, his staff began to hear mysterious mention of "my war on drugs"; when asked for elaborations, the staff couldn't find a single drug bill introduced or even cosponsored by Hoagland but "finally dug up two defense appropriations bills he had voted for that had some relationship to combatting drug use." Invited to visit Boys Town's Flanagan High School, established in an Omaha slum, Hoagland pressed to be allowed to bring TV cameras and the media and perhaps "announce some phase of my war on drugs." Boys Town respectfully declined. Explains Cwiklik: "They didn't want their children exploited."

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Meanwhile, Hoagland had been making stabs at locker-room bonhomie. A staffer noticed that when Rep. Paul Kanjorski applied the blather to Hoagland about how proud the seniors were of him and clapped him on the back energetically, "Hoagland slapped Kanjorski's back in return, but hesitantly, as if he were swatting a spider."

Cornhustler

The trying thing about raising money is the lobbyists that come with it. They not only filled Hoagland's waiting room and his appointment book, but the overflow was such that he had to schedule "walking sessions": Lobbyists would wait their turn for the buzzer that called him over to the Capitol to vote and would walk along with him, making their pitch, with a relief detail penciled in for the walk back. The staff "often referred to lobbyists as 'slime,' as in 'there's slime waiting to see you.'"

Lobbying rose to fever pitch at the committee mark-up sessions, where laws are actually written, line by line. For a critical meeting, lobbyists would hire bike messengers at $10 to $30 an hour to "stand in" for them from early dawn, sometimes all night, in a line that ran around the corner. Just before the proceedings opened, the limos would pull up and hordes of well-heeled lobbyists would disembark and take the places of their stand-ins. "I've never seen the public in here," lamented the staff chief of the Banking Committee.

At the S&L bill mark-up, the lobbyists kept score cards, provided by the committee itself, on each member. They sent up questions for their tigers to raise, submitted statements for members to make espousing amendments the lobbyists had written. The committee room "looked more like a cattle auction," Cwiklik writes. "Lobbyists not only packed Rayburn 2128, they were six deep in hallways outside. When members and staff dared to step out of the hearing room, they were hailed, pawed at, grabbed by the arm, and otherwise implored to sponsor amendments.

"A lot of lobbyists had approached Hoagland this way, and he was tempted to offer more of their amendments. Nancy [a Hoagland aide] said that a couple of times she had to stop Hoagland from offering their amendments."

Nancy was not always around, however. Cwiklik describes how Hoagland labored torturously to get through an amendment exempting Omaha business kingpin Mike Yanney from the S&L bill's requirement that two or more financial institutions that were "commonly controlled" would be liable for one another's losses. There was a rationale for this amendment; there always is. But it was tainted by two considerations: 1) It was aimed at rescuing one wealthy constituent and his set-up from a universal law; and 2) during the previous election campaign Hoagland had asked Yanney for a contribution. He had been turned down, but when he won, Yanney's PAC came through with $5,000; the businessman later sent a lobbyist to Hoagland to obtain his sponsorship of the amendment. During the term, Yanney-related contributions would reach $11,400, but more important was Yanney's value as a conduit to those reaches of the Omaha business community previously uncharmed by Hoagland.

Hoagland kept the Yanney matter secret from his staffers until it was well in the works. When they found out, they were dismayed. "It smelled like a rotten fish," said press chief Gary Caruso. Hoagland's chief of staff, Jim Crounse, tried to get him to abandon the amendment and estimated that if there was to be a flap over this, it would cost $50,000 from the advertising budget to neutralize it. (Such is the educated cynicism of campaign managers today that they can give snap quantifications of the future cost of squelching a particular type of scandal.)

But Hoagland was adamant. When the Yanney amendment was sidetracked because of its "special interest" taint and only the conference chairman could revive it, Hoagland sank to the last resort, begging on a personal basis. He scribbled a note that revealed just how much the matter meant to him: "Chairman Gonzalez, I really need this amendment. I won my race by only 3,000 votes."

The chairman relented. The amendment became law.

In May 1990, when Hoagland's campaign chest and poll ratings reflected the huge bulge of incumbency, he quietly returned Yanney's $11,400, "to inoculate himself," says Cwiklik, "from anticipated charges of serving special interests on the S&L bill." In November 1990 Hoagland won reelection with a smashing 58 percent of the vote, a giant step toward a permanent lock on the second congressional district of Nebraska.

There is an undeniable unfairness in tracing falls from grace; it tends to obscure all the times when grace won out—for instance, when Hoagland supported tough S&L regulations and fathered some constructive provisions to strengthen them, and when he stood by his civil liberties lights in opposing random drug testing and voting against the flag-burning amendment.

But the question still lingers: Do the temptations of continuously running for office, inflamed by the climate of a Congress that values self-preservation above all, make a promising member a better public servant? On this reading, the nays have it. ❑

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POLITICAL BOOKNOTES

Inside Out: An Insider's Account of Wall Street. Dennis B. Levine with William Hoffer. *Putnam, $22.95.* Reading Dennis Levine's book about his life and crimes on Wall Street, it was hard not to think of that old phrase that accompanied the publication of memoirs by Watergate conspirators: Don't buy books from crooks.

Levine was the first in a line of investment bankers and traders brought down by insider trading charges in what was to become the scandal of all Wall Street scandals. Although he made more that $1 million a year as an investment banker with Drexel Burnham Lambert, Levine stole confidential information entrusted to investment bankers and used it for his own profit by trading through a bank in the Bahamas in a multimillion-dollar swindle. Faced with the prospect of prison, Levine opted for his greatest trade: He would turn in his friends in exchange for a lighter sentence. Along the way, he fingered Ivan Boesky, the stock speculator who in turn offered evidence against Michael R. Milken, the former head of Drexel's junk bond division and a senior general in the takeover wars.

Now Levine is back, peddling his own story for even more profits. It is a project that had the potential of being worthwhile. None of the other high-profile crooks from the eighties has taken pen to paper to try to describe what made him tick. No matter how many stories were written about these fellows with seemingly limitless greed, nothing could be more fascinating than one of them describing the behind-the-scenes action.

Unfortunately, the promise of such a project is sacrificed for the sake of Levine's own self-aggrandizement. Throughout this tedious work, Levine seems nothing more than a dissembler who, five years after pleading guilty, has learned from his crimes only that it's best not to get caught. He has slapped together a thoroughly unbelievable, self-promoting tome that rounds out his career perfectly: an unremarkable investment banker turned unimaginative crook turned lousy author.

In 431 pages of excuses in apologetic mufti, Levine details what he contends is the truth about how he lied to his friends, lied to his wife, lied to his child, lied to his business associates, and, when the government was on his tail, persuaded others to lie for him. He insists he now knows this was wrong. But, with much grand proclamation, he portrays himself as a man whose relatively minor legal violations harmed no one.

Bunk. Dennis Levine is a self-proclaimed reformed crook who, if his book shows anything, still does not comprehend the magnitude of what he did. Levine stole more than $10 million from other investors—widows, mutual fund managers, maybe you—who didn't have access to the privileged information he was supposed to keep in confidence. When confronted by that reality, Levine just fudges.

In one of the most obnoxious passages in the book, Levine describes how he and his wife explained to his tearful young son why daddy was going to prison. He makes sure to include a few lines about how he "didn't hurt anybody" but merely "broke some business rules." Dragging his poor child into this story was bad enough, but describing the lies he told to the boy makes it all the worse.

At times it seems that, despite his years in prison, Levine still hasn't figured out the law. Take just one self-contradictory scene. When Boesky approached Levine about paying him for information, Levine writes that he was "shocked" that the stock speculator would make such an offer. "I wanted no part of it," Levine piously writes, even though he was already swapping information with other friends and colleagues, and then trading illegally through his own account at Bank Leu in the Bahamas. Why should Levine be willing to make money off crimes with some Wall Streeters but be offended when the biggest fish of all wants to play the same game?

One page later, Levine tips his hand to his own legal blindness. "The more I pondered, the more I wondered why I had been so reluctant to accept Boesky's offer. If he was going to make a fortune off my information, why shouldn't I enjoy a slice of his pie?"

Wait a minute. Why was Levine, an investment banker trained to know the meaning of fiduciary duty, feeding information worth "a fortune" to a stock speculator? Whether he is paid for the information or not, knowingly passing on nonpublic information about a publicly traded company is a crime. So, according to this version, Levine was seemingly willing to commit a crime with Boesky for free, but he was offended at the suggestion that he profit from it.

Throughout the book, Levine's newfound morality comes up short. Levine insists he did not trade on the inside based on greed. Yet when he writes that officers of Bank Leu violated his instructions by placing his orders through a single broker to cut their commission costs, Levine cannot control his complaints about missing out on the savings. His high morality breaks down even further as he criticizes the bankers for essentially failing to obstruct American justice on his behalf. When Bank Leu turns over Levine's name to the Securities and Exchange Commission, he cannot hide his contempt. By God, those bankers violated Bahamian law, the

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American felon rails over and over. "I was incensed by the behavior of the Bank Leu officials," he writes.

Even when there is an event that Levine *must* address—such as his decision to rat on his friends—he cloaks himself in morality. "The idea revolted me," Levine writes of his decision to talk. "I had spent years guarding the interests of my friends, and I was determined to continue." One page later, the moral songbird is singing, back in the role he is known for—a man willing to cut any deal to save himself.

Stomaching *Inside Out* is made harder as Levine repeatedly trumpets his own brilliance. Over and over, the banker—who colleagues describe as a fast-talking, street-smart hustler with little analytical ability—portrays himself as a deft analyst who amazes everyone he meets. "He seemed suitably impressed with my enthusiasm and basic knowledge"; "In my usual manner, I studied everything I could find concerning Lehman Brothers and Gleacher"; "Kay was aware of my rainmaker reputation." This recitation of greatness continues even when Levine is arrested. "I responded to all of this in my usual fashion," he writes, "by studying as much as I could about the phenomenon of white collar crime."

Even when he does something as simple as buying a car, Levine can't help but share with us how smart he thinks he is. "You know what you're talking about," a suitably impressed and, of course, anonymous car salesman says to the criminal. "I've done my homework," the criminal preens.

Where, in this bright portrait, are all of Levine's now famous complaints that he was never paid enough, even when he received a $1 million bonus? What happened to the office break-in to obtain more inside information, as detailed in James B. Stewart's *Den of Thieves*? Where is the badgering but seductive person who lured others into his life of crime? It's easy to understand why those sleazy episodes did not make it into the book: They cast a bit of doubt on Levine's claims to greatness.

Of course, Levine had to have *something*, given that he was so well paid on Wall Street. And indeed he did: the best network of stock speculators, lawyers, and investment bankers on Wall Street. Levine always seemed to know what was going on—and was paid well for that. Unfortunately, he obtained much of that information illegally, while his bosses turned a blind eye to the lawbreaker in their midst.

Even after his downfall, Levine did not lose his skill at profiting from ill-gotten gains. As a wealthy felon, he was able to sell his story. Through interviews, book tours, and advertisements, he has finally made it back to the position he thought he deserved as a criminal: laughing all the way to the bank.

—*Kurt Eichenwald*

Comandos. Sam Dillon. *Holt, $27.* One of the big myths propagated by the Reagan administration was the urgency of winning the war in Nicaragua. For eight long years, the Reagan White House served the American public romanticized images of the Nicaraguan contras: freedom-loving democrats who would rise up and liberate their nation from the

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shackles of communist tyranny. They were, Reagan told us, defenders of human rights, "the moral equivalents of our founding fathers," and certainly worthy of a little CIA support.

To help drive the message home, the administration mounted a multi-million-dollar propaganda campaign led by the now-convicted former secretary of state, Elliot Abrams. Its mission? To overcome persistent reports that the contras were little more than a cast of armed banditos. At the White House, the axiom "perception is reality" dominated; that is, the administration believed that by altering public perception it could achieve the desired reality. Abrams quickly labeled any reports of abuse by the freedom fighters outright lies. The messengers of those subversive reports—the press and human rights groups—were, at best, willing dupes of what he called the "Sandinista lobby." At worst, they were themselves Sandinista spies.

The fallaciousness of this campaign has since been made clear, but for those with lingering doubts about the legacy of the contras, this book by *Miami Herald* reporter Sam Dillon should help put them to rest.

Dillon follows the the trail of Luis Fley, a contra field commander who went by the nom de guerre Comandante Jhonson [sic]. As the war wound down in early 1988, Jhonson was selected as chief investigator of a congressionally mandated review of the contra human rights program. But instead of pursuing the rampant rumors about contras raping, torturing, and murdering suspected Sandinistas or sympathizers, he focused on reports of rape, torture, and murder by contra commanders against their own troops.

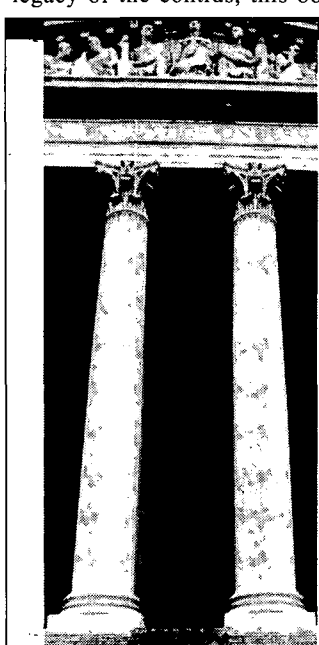
Dillon deftly documents the frustrations—and ultimate futility—of Jhonson's efforts to bring some of the most brutal contras to justice. For the rebels it was a time of war, and what little justice prevailed was rooted in a military code of conduct adopted from the former regime's National Guard. Theirs was a system of tribunals where the judges and jury were rebel peers and where the maximum sentence was mere expulsion from the contras' ranks. Even so, Jhonson faced resistance at every step of his investigation, as rebel leaders took the notion of being held accountable for their actions rather poorly.

Along the way, Jhonson and his small team of investigators received alarming reports of secret prisons run by the rebels' elite intelligence units, where their own soldiers were being held as enemy infiltrators. He learned that virtually every prisoner was tortured and that virtually every woman detainee was systematically raped—in some cases for months on end. Dillon also recounts how the elite corps garnered its evidence: by eliciting statements under torture. If a prisoner failed to "confess" and offer the names of "co-conspirators," the torture continued.

What's more, Jhonson discovered that CIA trainers had schooled the rebel interrogators and that other CIA officers had been assigned to directly oversee the performance of intelligence and counterintelligence units. Not surprisingly, when Jhonson reportedly tried to inform these and other CIA officials about the rebels' abuse of their captives, his claims were brushed aside.

Dillon's recounting of Jhonson's efforts is compelling, but he deals with only a narrow part of the broad picture. Had he done more homework, he could have told us that, while rebel intelligence units were extracting tortured confessions, Washington officials were proudly boasting that close CIA supervision and training of the rebel forces were paying lofty dividends, as a massive Sandinista spy ring supposedly had been uncovered and dismantled by our allies.

When Dillon turns his attention to the contras' political leaders in the U.S., however, he unearths some significant details. It turns out that Adolfo "I never took a dime from the CIA" Calero and all the other contra political directors each received a whopping $180,000 per year CIA salary. This is the kind of mouth-watering detail that could excite an independent counsel investigating Iran-contra crimes, as just about the only thing these Miami-based founding fathers did was lobby Congress for more contra aid. Using CIA funds to do that is a crime by any other name.



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Dillon also provides a glimpse of the guerrilla war waged within the administration—a drama pitting professional civil servants against ideologically driven political appointees. Dillon's heroes are a handful of State Department officials who attempted unsuccessfully to rid the contra army of some of its most notorious thugs.

Since the Iran-contra scandal broke in November 1986, several volumes of drab prose have piled up on my shelf, some penned by reporters who have claimed to offer the "inside" story. Other tomes were written, or ghost-written, by some of the actors themselves, offering little more than self-justifying bravado. Yet only a handful of books on the contra war are truly noteworthy, including Christopher Dickey's *With the Contras* and Roy Gutman's *Banana Diplomacy.*

Comandos hails itself as "the first book to tell the rebel army's full story." Of course, it comes nowhere close. By relying heavily on the often self-serving memories of Comandante Jhonson, Dillon fails to offer the kind of critical perspective expected in a reporter's book. Nonetheless, he provides a significant contribution to the body of knowledge about the latter years of the contra war. And in so doing he illustrates the importance of continuing the investigation into what really happened in Nicaragua.

—*Brian Barger*

A People's Charter: The Pursuit of Rights in America. James MacGregor Burns, Stewart Burns. *Knopf, $30.* This book's publication coincides with the 200th anniversary of the passage of the Bill of Rights, and that might arouse a certain degree of skepticism. Books of this genre tend toward patriotic banality ("Despite our flaws, what a sweet land of liberty"), alternately focusing on the founding of the Bill of Rights, lavishing praise on James Madison, and then rushing to embrace the Warren court (with homage paid to Justices Holmes and Brandeis along the way). Such books tell a tale of unending, enlightened progress, a tale increasingly hard to reconcile with the cast of characters now presiding in black robes on the Rehnquist court.

But *A People's Charter* is not banal; it is not about the Supreme Court; it is not even about the Bill of Rights. *A People's Charter* is about grassroots agitation and struggle, not legal documents. Judicial figures and political leaders do not go unmentioned, but their role is in most cases incidental. Instead, the book focuses on "historic rights movements in which all participants are engaged in forging a dynamic, evolving people's charter of rights."

Thus, while the Burnses mention James Madison's participation in passing the Bill of Rights, they give most of the credit to the "mainly hinterland people" who forced the Federalists to accept rights as the fundamental issue. President Wilson's crucial support for the women's suffrage amendment is noted, but his support—given kicking and screaming against his will—was the culmination of more than a half century of agitation by the women's movement. Senator Wagner's devotion to labor's associational rights goes unquestioned, but "it was the struggles and sacrifices of millions of workers reaching back at least a century that had set the agenda and terms of the debate" over the Wagner Act.

The authors provide a well-written overview of these and other historic struggles. In particular, they explore the liberation efforts of feminists; African Americans from abolitionist Frederick Douglass ("the preeminent American rights advocate of the 19th century") to today's civil rights leaders; and laborers who battled for rights of association and a 10—then 8—hour day. Although much of the book concentrates on these three groups, there is more, including the Jews' escape from Egyptian slavery, the struggles and intellectual history leading to the Declaration of Independence and the Bill of Rights, the debates over the idea of private property in American history, and even a section on international human rights.

Breadth has its price, however. Covering the history of American protest movements in 470 pages precludes in-depth treatment and it risks skating across the surface of much material. Important historical figures fly by, mentioned in passing or crisply accounted for in brief paragraphs. And while the authors' research is

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copious, it could not possibly have been comprehensive, and occasional gaffes occur. For example, despite their skepticism about the power of law to bring about meaningful social change, the authors find some signs of hope in First Amendment law: the generous press protections for defamatory statements even as applied to private persons and the fairness doctrine requiring broadcasters to cover issues equitably. But those generous press protections for statements about private persons were severely cut back in 1974, and the Federal Communications Commission repealed the fairness doctrine in 1987.

Despite the limitations that usually accompany such ambitious undertakings, the book is worth reading because the authors not only know how to tell an often gripping story, but they also write it from a refreshing political perspective. It is a perspective that regards the right to happiness mentioned in the Declaration of Independence as more important than any right to unbounded private property. (Thus Franklin D. Roosevelt, who spoke eloquently for that point of view, is one of the few political leaders afforded substantial attention.)

It is a perspective that argues that emancipatory groups have too often settled for too little—one that regards the failure of the Equal Rights Amendment as a *gain* for the women's movement, as its defeat brought renewed effort instead of false satisfaction. It is also a perspective that stares repression of free speech in the face and shows that such repression has worked politically at many points in American history. Still, the Burnses are steadfastly optimistic that change can be forged and forced by broad-scale grassroots movements.

Perhaps that view is too optimistic. Nonetheless, the authors do offer us many role models for creating that hoped-for progress: people who, like Frederick Douglass, understood that the "limits of tyrants are prescribed by the endurance of those whom they oppress."

—*Steven Shiffrin*

Happy Endings. Sally Quinn. *Simon & Schuster, $22*. William Roswell Grey III, the President of the United States, gets assassinated while dining at the home of one of Washington's most ambitious hostesses. Sadie, his sex-starved Southern widow, indulges in a passionate fling with Desmond Shaw—the dynamic, roguish editor of a national news magazine—and unbeknownst to him, gives birth to his son. Unfortunately, Des is also the lover and eventual husband of Allison Sterling, the best reporter on the nation's most powerful newspaper. Glamorous and tough, she finds herself yearning for more in her life than just a daily deadline.

All this mess is from Sally Quinn's new novel, a sequel to *Regrets Only*, which continues the saga of low jinks among Washington's lofty people. Quinn's characters are on the city's fast track: They're clever and brittle as they party in the White House, vacation in plush resorts, and power-lunch at Nora and Bice. But when Des and Allison are forced to cope with the death of an infant daughter and, as a result, the breakup of their marriage, the tone suddenly softens. Des, a lapsed Catholic, turns to God for help, while Allison battles loneliness and despair.

Their heartbreak and mourning are affecting: Here, for the first time, Poison Pen Quinn shows she can write a good, old-fashioned weepy novel. Nevertheless, it is as a savage observer of D.C.'s peculiar manners and morals that Quinn is at her best. "Power is everything," she rightly observes. "If you can't be president then the name of the game is to be as close as possible to whoever the son-of-a-bitch is." And this novel serves as a fairly accurate indicator of where today's political power really is—and isn't.

➤"In the old days there used to be a number of extremely rich women, widows or wives of establishment men, who acted as catalysts. They held salons where members of the establishment could get together and socialize, compare notes, exchange political gossip, commiserate, collude. There are almost none left. . . . The few that are are looked upon as anachronisms."

➤"The embassies were essentially dead. They just didn't matter. They just didn't matter anymore since shuttle diplomacy, television, direct dial, and the fax had replaced the need for ambassadors."

And so on. Even the prima donnas of journalism do not escape her lethal scrutiny. Among the many intimate personal moments, there appear enough newsroom slugfests, behind-the-scenes preening, leaks, and gossip to satisfy the most ardent news junkies, and to keep them guessing who's who. But in the end, *Happy Endings*—which, incidentally, has one —is a sensitive and substantive book about relationships, revealing a kinder, gentler Sally Quinn. What makes it *fun*, however, are the vestiges of the vicious old one.

—*Sandra McElwaine*

The Overworked American. Juliet Schor. *Basic, $23*. To listen to the caged experts the television networks keep in inventory to explicate the truth, the only butt-hustling hard-chargers on the face of the planet are the Japanese. Americans are lectured on their softness, sloth, and indolence. But Harvard economist Juliet Schor doesn't think that sounds quite right. Her book confirms that, in America, the 40-hour work week is an institution that disappeared into history about the time those old-fashioned, tailfinned automobiles were being driven onto the used car lots. It is an exasperating anomaly that in a time of painful unemployment, millions of Americans are overworked, though not always overpaid.

Schor's computations show that the work week and work year have been lengthening for a generation, confirming what many of us know from our own lives and those of our friends: A lot of people are close to working until they drop. "In return for a seventies' standard of living, employers are now demanding far more hours," Schor writes. "For the production and nonsupervisory employees who make up 80 percent of the labor force, these demands have been substantial. According to our calculations, just to reach their 1970 standard of living, they must work 245 more hours, or six-plus extra weeks a year."

If you count taking care of the house and children, many women may be using cosmetics not to look pretty, but to cover up the fatigue lines. Theirs is a life of little or no leisure, a surprising end to the century that social scientists had forecast would see the

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coming of a leisure glut. In the fifties and sixties, some wondered what Americans would do with their time in the decades to come. Now we know: They work.

So far so good with Schor, but after ably stating the facts, her analytical engine develops some serious vibrations, if it does not altogether disintegrate. She deserves praise for breaking off the chains of her profession, which too often sees people as one-dimensional caricatures, a practice that renders her calling not only dismal, but often nearly useless. She uses culture, history, and motivations beyond that of the cash nexus—a rare breadth among economists—to make her argument. She unapologetically injects moral values into her discussion, thereby also separating herself from many of her colleagues who make it a point of pride to withhold opinions about the rights and wrongs of things. *The Overworked American* is a book so serious and sincere, so self-evidently written to help, one is reluctant to criticize it. Nonetheless. . . .

The book is all over the lot. Several chunks of it are given over to a discussion of leisure in ancient Rome and medieval Europe, where Schor maintains people had more free time. Yet the rise of capitalism, she says, has stripped this from modern society. She would have us believe that the ancient Romans, unlike us moderns, chose leisure over an overworked, exhausted, materialism. Yes indeed, ancient Rome had many more play days than we have today, but, slavery aside, leisure was more a burden than a blessing. The Roman people, housed in vast neighborhoods of five- and six-story, fire-prone tenements without running water or indoor plumbing, were almost as combustible in their leisure as in their habitations. With little or no work, the idle plebeian swarm, kept only half-pacified by government bread-and-circus welfare programs, were forever on the verge of mob action. Roman citizens used that leisure time Schor speaks of for rioting.

"The lives of ordinary people in the Middle Ages or ancient Greece and Rome may not have been easy, or even pleasant, but they certainly were leisurely," Schor writes. The same could be said of the lives of today's inner-city African-American youths.

Schor makes these comparisons with the past in order to indict capitalism for a "structural bias" in favor of work over play or free time. She is not a happy capitalist camper. Perhaps she is right, but "capitalism" is one of those vague expressions like "human nature," which Schor also uses, that leave her argument open to a sea of interpretations.

Suffice it to say, her anticapitalist excursions belong in another book, because in this one they detract from her presentation and bait the reader into arguing with her, as when she declares that Henry Ford's introduction of the moving assembly line was intended to discipline labor. Without detracting from Ford's achievement, one can say that the flow-through manufacturing approach was a long time in development in other businesses, where the best organization of work was also part of the story of industrial invention.

She then attacks Ford for paying assembly-line workers five dollars a day, or 40 to 60 percent more than other manufacturers did in 1914. The extra money compelled them to be punctual, energetic, and obedient, Schor writes, as though Henry had pulled a fast one on society by this trick—imagine, paying people more money to work longer hours.

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She gets back on firmer ground when she asserts that businesses are in a position to demand longer hours from their employees with or without raising their salaries during times of less than full employment. Pointing out that government statistics minimize apparent unemployment, thereby reducing pressures to do something about it, she heads toward a fertile field of inquiry but stops short of exploring it for us. Instead, Schor chooses to rail at the consumer society in all its manifestations, and I do mean all. By her reckoning, home appliances have saved no labor or toil because her figures tell her that women do the same amount of housework now—about 50 hours a week—as they did at the turn of the century. Speaking of everything from the vacuum cleaner to the dishwasher, Schor declares, "All this expensive labor-saving technology was an abject failure. . . . Only one major appliance has been shown to save significant amounts of time (the microwave oven). Some actually increase housework (freezers and washing machines)."

Only a professor of economics could print such nonsense. Go down any street and tell the inhabitants to get rid of their washing machines but keep their microwaves, and see what happens. The crux of this argument is that Americans wash themselves, their clothes, and their houses too often, thereby negating the benefits from these machines: "Laundry provides the best example of how technology failed to reduce the labor time. . . . The escalation for standards of laundering has been a long process, stretching back to colonial times. In those days, washing would be done once a month at most and, in many families, much less—perhaps four times per year. Nearly everyone wore dirty clothes nearly all the time. Slowly the frequency of washing rose. When the electric washer was introduced (1925), many Americans enjoyed a clean set of clothes (or at least a fresh shirt or blouse) every Saturday night. By the fifties and sixties we washed after one wearing." Our choice, according to the professor, is between head lice and exhaustion. The dismal science has now discovered the leisure-cootie curve. As you move up the graph toward more leisure, you move down toward cooties. At long last, we now know who or what lived in Karl Marx's beard.

What the professor advocates is trading more leisure for less money. The money isn't doing anything for us, she insists. "We do know that the increasing consumption of the last 40 years has not made us happier. The percentage of the population who reported being 'very happy' peaked in 1957, according to two national polls." If such stuff is to pass for evidence, the intellectual rigor once associated with the name of Harvard University is a thing of the past. Moreover, the opinion that material goods only serve to make us unhappy and unworthy is one usually held by people relatively rich in the self-same goods. Methinks I hear the voice of the comfortable, Volvo-riding society of Cambridge, Massachusetts, talking here. Any reasonably stout definition of individual liberty will allow each person to decide whether to absent himself from "the insidious cycle of work and spend."

"But," writes Schor, plunging ever forward, "couldn't one just as well gain happiness by reducing desires? This is the 'Zen' path to happiness. It warns that hedonistic pleasures are shallow and addictive. It asks for renunciation, not necessarily of material goods, but of materialism." Without being snotty about it, it's hard to know what to make of such sentiments. Schor, a trained social scientist, is way over her head, apparently unfamiliar with what philosophy from the pre-Socratics on has made of these questions. It is embarrassing to the reader who is on her side, who sympathizes with what she believes, but who is saddened by her lack of preparation.

The book ends with a discussion of ways to lessen the hours of work. Heaven knows, that would be a blessing for many, especially all those folks working two jobs. But she doesn't talk about them. She seems to think that most people breaking their backs 10 or 12 hours a day on the job are materialistic piggy-wiggies.

Not that everybody putting in long days at the office is working rather than simply taking up space. If blue-collar, labor union featherbedding has mostly been stamped out, white-collar featherbedding in government and private sector corporations seemingly goes on, even in recessionary times, though perhaps on a diminished scale.

Regardless of that, Schor pushes for a cutback in working time, although she knows "there would be hard-core resisters. This country has plenty of workaholics—people for whom work is an escape, an obsession, or, if they have nothing better to do, the default option, and who will not be interested in my proposal. There are others for whom money is everything, who will avail themselves of almost any opportunity to make a few more bucks. Or those who will sell their souls to the highest-paying job they can find—regardless of its working hours, stress level, effect on their family life, or social implications." Do you catch a whiff of the notion that work is a form of sickness, mental illness, or moral turpitude?

Again, the view is from Cambridge, Massachusetts, not Knox County, Maine, where I live and where people sell, not their souls, but their labor for food, shelter, and clothing. This book's snobby, impractical, out-of-touch passages validate the dismissive criticisms made about university professors. Of course, Cambridge has been putting on superior spiritual airs since the time of Brook Farm, but Juliet Schor seems to have little knowledge of her country. Hers seems to be the indignation of the sheltered life.

Business managers in charge of organizations doing things of extraordinary complexity may find Schor's idea of how to shorten the working week difficult to put into effect. One is baffled trying to figure how one would run an airplane or diesel engine factory with her versions of flex-time. Perhaps Harvard's Department of Economics can be run according to Zen, but one doubts it can be run well.

In the end, one puts this book down wondering if it will count toward getting the author tenure—a lifetime job specially suited for resisting the temptation to sell one's soul or succumb to the obsessive-addictive seduction of long, stress-filled days on the job.

—Nicholas von Hoffman

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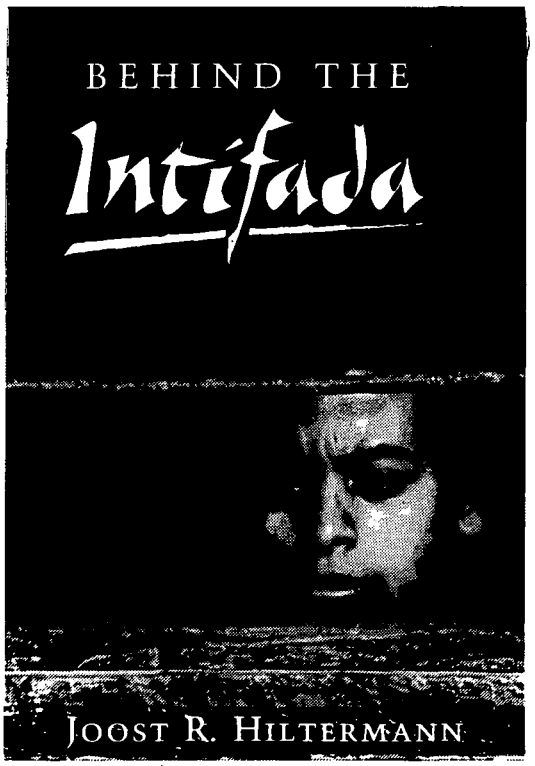

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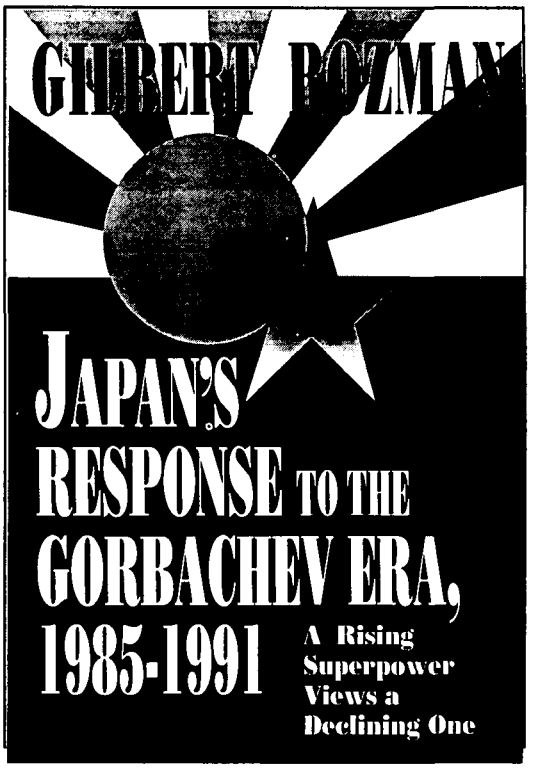

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